



**USAID**  
FROM THE AMERICAN PEOPLE

## FINAL PROGRESS REPORT TO THE

USAID REGIONAL SERVICES CENTER  
Bank Center, Granit Tower  
Szabadsag ter 7-8  
1944 Budapest, Hungary

Cooperative Agreement No: 194-A-00-03-00106-00

## Fiscal Decentralization Initiative

Three-year Fiscal Decentralization and Governance Program (FDGP) for development of local government policies, advocacy, information dissemination, and transfer of knowledge targeted at countries of South Eastern Europe, Central Asia, and the Caucasus



The Fiscal Decentralization Initiative  
for Central and Eastern Europe



Local Government  
and Public Service  
Reform Initiative



OPEN SOCIETY INSTITUTE

# TABLE OF CONTENTS

ACKNOWLEDGMENTS	3
EXECUTIVE SUMMARY	5
I. General Review of Activities	9
I.1 ISTANBUL EVALUATION WORKSHOP	10
ANNEX I.1 FDI ACTIVITIES DELIVERED 2003–2006	20
I.2 FDI SUSTAINABILITY AND FUTURE PLANS 2007–2008	33
I.3 FDI IMPACT AND SUSTAINABILITY IN SEE 2007–2008	39
ANNEX I.3 FDI IN 2007	44
I.4 FDI ACTION PLAN IN SEE 2007–2008	48
I.5 THE CAUCASUS	59
I.6 CENTRAL ASIA	65
I.7 FDI ACTION PLAN IN CENTRAL ASIA AND THE CAUCASUS 2007–08	70
II. Specific Impact of the Fiscal Decentralization Initiative	76
A. Policy Design and Capacity Development	77
1. PLANNING WORKSHOP	77
2. NATIONAL AND REGIONAL WORKSHOPS	78
3. TECHNICAL ASSISTANCE AND PROFESSIONAL ADVICE	90
4. CAPACITY DEVELOPMENT	103
5. EVALUATION WORKSHOP	117
6. DISSEMINATION	118
B. Local Government Information Network (LOGIN)	121
C. Networking	125
III Appendices	128
III.1 ISTANBUL AGENDA	129
III.2 ISTANBUL CASE STUDY INSTRUCTIONS	134
III.3 ISTANBUL ROUND TABLE QUESTIONS	135
III.4 ISTANBUL ASSESSMENT	136
III.5 INTERGOVERNMENTAL FISCAL RELATIONS SUMMER UNIVERSITY EVALUATIONS 2004–2006	139

## ACKNOWLEDGMENTS

The Secretariat of the Fiscal Decentralization Initiative (FDI) would like to acknowledge the invaluable participation and support of all partners and implementers who walked with us on the path of decentralization reform and contributed with ideas, organizational backup, encouragement, and their time and enthusiasm.

FDI is particularly grateful to *Susan Kutor* of the USAID Regional Office in Budapest who was its main adviser and who provided day-to-day dedicated support and patience. FDI is thankful to all USAID country offices in the three regions FDI worked in—South Eastern Europe (SEE), the Caucasus, and Central Asia—and their local government contractors (the Urban Institute, RTI, DAI) for their readiness to cooperate and provide complementarily to their programs, ideas, and topics.

In addition to USAID, FDI is particularly grateful for the support and participation of the donor community in this program—UNDP/Bratislava (*Jurgita Siugzdiniene*), the Council of Europe (*Alfonso Zardi, Artemy Karpenko, and Roberto Fasino*), and the World Bank Institute (WBi) (*Serdar Yalmaz and Migara de Silva*).

FDI is grateful to the LGI Steering Committee and LGI staff and particularly to *Ken Davey, Bob Ebel, and Adrian Ionescu* for their commitment, enthusiasm, energy, and wealth of ideas. FDI is particularly indebted to *Ondrej Simek*, former FDI manager, whose ideas and commitment paved the way for this program.

Special thanks to *Mr. Gabor Peteri*, Director of LGID who contributed along these years with ideas, contacts, and commitment that mobilized a network of experts from Central Europe.

FDI wishes to thank the *Soros foundations network* in the countries of the three regions for their cooperation and readiness to respond to its ideas and to provide access to many of the excellent partners who joined the program. Also, FDI is grateful for the highly professional approach of its numerous implementing partners whose dedication sustained in conditions not always conducive to change and reform is highly valued.

FDI is grateful to all FDI consultants and trainers—*József Hegedüs*, Metropolitan Research Institute, Budapest; *Charles Jókay*, IGE Consulting Limited, Budapest; *Balázs Krémer*, Independent Policy Advisor, Budapest; *Nicolas Levrat*, University of Geneva; *Gábor Locsmándi*, Budapest University of Technology and Economics; *Martin Lux*, Institute of Sociology, Academy of Sciences of the Czech Republic; *Andrea Tönkö*, Metropolitan Research Institute, Budapest; *Anthony Levitas*, Development Alternatives, Inc., USA; *Glendal*

*Wright*, UNDP/Bratislava; *Vera Kamenickova*, Czech Institute of Statistics; *Peter Rado*, Educational Policy Center, Budapest; *Galina Kurlyandskaya*, Center for Fiscal Policies, Russia; and many others who were able to commit expertise, time, and energy to this important and timely initiative.

Last but not least, FDI thanks all the LGI support staff whose organizational skills and dedication allowed everyday operations to function smoothly and uneventfully. FDI extends its thanks to the report's editor, *Tom Bass*, whose last minute efforts injected coherence and smoothness to the text.

# EXECUTIVE SUMMARY

## BACKGROUND

The Fiscal Decentralization Initiative (FDI) is a collaborative regional demand-driven undertaking involving a consortium of donors—the World Bank, the Organization for Economic Cooperation and Development (OECD), the United Nations Development Program (UNDP), the United States Agency for International Development (USAID), the Open Society Institute/Local Government and Public Service Reform Initiative (OSI/LGI), and the Council of Europe (CoE)—initiated in 1995 to advance decentralization in transition countries. FDI supports debate and consensus building among central and local governments, facilitates regional transfer of experience and exchange of best practices, and provides opportunities for local government reform advocacy. FDI has traditionally supported policy research and analysis, information dissemination, and networking. Traditional FDI clients are national and sub-national authorities and other stakeholders of decentralization such as MPs, opinion makers, private sector and media representatives, nongovernmental organizations (NGOs), and civil society representatives. FDI has operated in most countries of Central, Eastern and Southern Europe, the Caucasus, and Central Asia. In the period 2002–2006, the program has worked to directly address needs in more than 15 countries, reaching out to approximately 5,000 people and around 100 institutions.

## CURRENT AGREEMENT

Under the cooperative agreement with USAID, FDI suggested to expand its previous and existing activities and to increase FDI's impact on local government reform in South Eastern Europe (SEE), the Caucasus, and Central Asia in 2003–2006. FDI proposed activities that would then build on the results of previously-funded FDI research programs measuring the level of decentralization in Central and Eastern Europe and the former Soviet Union, FDI capacity-building workshops in Central Asia and the Caucasus, FDI forums and FDI taskforces designed to develop practical policy recommendations and the development of the online Local Government Information Network (LOGIN). FDI's suggestions for its activities were based on the knowledge of needs in SEE, the Caucasus, and Central Asia that FDI has accumulated since 1995. FDI continued to support inclusive policy debates and workshops, policy formulation and advocacy, and the dissemination of best practices through LOGIN and networking events. These and other activities were funded jointly by USAID, OSI, and other

FDI partners under three activity components: (I) Policy and Capacity Development; (II) Information Dissemination—Support to LOGIN; and (III) Networking.

### ACTIVITIES

By the end of the three-year program FDI organized seven policy debate seminars, two regional conferences stimulating exchange of best practices, six direct technical assistance programs, two training-of-trainer (ToT) programs, two intergovernmental fiscal courses for practitioners, three programs supporting professional associations, and two LOGIN training seminars. FDI produced over seventy major policy papers dealing with specific aspects of decentralization. In addition, FDI supported at least 20 mid-career decision-makers and practitioners for participation in third-country training opportunities, expanded LOGIN to at least five new countries. For planning and evaluation purposes, FDI organized one regional workshop for USAID, OSI, and other FDI relevant staff at the beginning of the program and one similar workshop at the end of the program, the departure point for part one of this report. LOGIN doubled the number of freely downloadable documents available from its online library, reaching nearly 10,000 items, with 4,000 downloads per month by visitors in average. The number of visits on the logincee.org site increased by 90%, while the number of visitors tripled. As a side product of its activities, FDI improved donor coordination and provided more intensive input into the work of the Stability Pact for South Eastern Europe.

### IMPACT

The FDI program supported activities that responded to local government needs and demands. Local institutions and specialists implemented all activities. A small implementation team, consisting of technical staff of donor agencies (WB, UNDP, CoE, and OECD) and led by an FDI manager, provided technical advice and exercised quality control during the implementation stage. The FDI Secretariat, based at the Open Society Institute–Budapest, was also responsible for the financial administration of USAID funds, general coordination and supervision, quality enhancement, and follow-up.

The total budget for FDI activities implemented in October 2003–2006 was USD 2,432,527, with the USAID's contribution at the level of USD 1,286,129 and the OSI/LGI contribution at the level of USD 1,516,105. The LGI contribution was larger than the initially planned amount.

Based on some of the evaluations of workshops prepared by the WBi (for example, in the

Caucasus associations workshop), 98 percent of participants said that the workshop was useful; 88 percent pointed out that it matched the learning needs; and 86 percent that it provided new information.

Another evaluation of a ToT on Local Government Financial Management for Central Asia showed that the training was well-planned (4.6 on the scale of 0-5), with clear objectives (4.6), and well-covered topics (4.0).

Based on the evaluations from the fiscal summer course – SUN in 2006, 89.5% of the students found the course sufficient and useful and 97.5 % found the course useful for their research.

FDI contributed funds for a substantial number of scholarship packages throughout the first years of the MA in Public Policy (MPP) fiscal program at CEU which contributed to the development of the academic program and to promoting its role in the wider higher education market of immediate relevance to Eastern Europe. At an academic level the funding has triggered the development of a set of interrelated courses on the program 'Decentralization Stream'. A certain number of these courses is compulsory for all FDI scholarship holders. As a result of the course work a network of students and faculty has been established which has been crucial for bringing graduates into policy-relevant jobs.

Moreover, the initial two years have established this field of specialization as one of the core areas of academic and strategic interest at program level. In May 2006 the initial program was transformed into a fully-fledged university department which has triggered investment by CEU. The university wants to further consolidate the specialization in this field with the hiring of a new full-time faculty member in the area of economics for public policy and political economy. For the academic year 2007/8 another hiring in the field of public administration is planned. Again, this new faculty member will contribute to the course offerings in the context of 'Decentralization Stream'. Finally, CEU has been active to recruit further donors for funding future generations of students in this field. These achievements and the envisaged further growth in this area would not have been possible without the generous contributions on part of USAID/LGI during the founding years of the program.

In the lifetime of the project 73 policy papers were developed and presented to governments in a variety of countries with numerous recommendations for reforms. Seven publications were produced out of the policy forums and distributed to FDI partners. FDI publications were posted on the web on October 24, 2006 and the following number of hits were registered by FDI: Reforming Property Taxation in SEE– 236; Fiscal Equalization in the Caucasus– 207; Fiscal Equalization in Southeast Europe – 565; Challenges of Regional

Development in Southeast Europe/Strategies for Financing and Service Delivery - 94 (This publication was posted only two weeks ago). Apparently, there is a great interest on the topic of equalization in SEE – this remains a key problem in the region as LG local functions and revenue capacities remain limited.

More specifically, FDI had the following impact across the regions in which it operates:

1. Facilitated a participatory approach to the policy processes related to decentralization — bringing a variety of stakeholders together to work on policies and technical issues and seeking consensus on recommendations (government, local government associations, nongovernmental organizations [NGOs]).
2. Facilitated ministerial exchange of ideas and experiences across the countries of the region—Property Tax, Equalization, Education, Regional Development, and Capital Cities Conferences.
3. Many of the findings of the research, policy design, and fiscal formulae served as the basis for drafting new or amending old legislation.
4. By funding and channeling research studies to support decision-making on specific topics, FDI broadened the available access to information and knowledge. Under FDI, a fiscal decentralization policy program (MPP at the CEU, Budapest) was developed and FDI fellows received fellowships for a one-year course of study;
5. The summer university courses on fiscal decentralization (SUN) are another source of specialized knowledge for young professionals.
6. FDI supported the policy process within ministries by helping with the design of policy strategies
7. FDI worked in Central European, Baltic, and Russian experts who provided advisory services and trainings for central and local governments, NGOs, and think tanks on decentralization in **Armenia, Bulgaria, Moldova, and Serbia.**
8. FDI activities triggered additional donor support and more funding to continue with the FDI-initiated projects in **Bulgaria, Moldova, and Romania.**
9. FDI activities triggered further talks and negotiations with ministries of finance and ministries of education to continue the assistance.
10. FDI was complemented by other activities related to decentralization but executed under different programs or projects of LGI/OSI in **Bosnia and Herzegovina, the Caucasus, and Serbia.**

11. FDI created innovative products like the intergovernmental fiscal track within the MPP program and LOGIN, the online local government information network.

### SUSTAINABILITY

As a result of the active involvement of many stakeholders and donors in FDI activities, in 2007, FDI could build on already existing contacts and activities and continue supporting the started initiatives. The cooperation with USAID and USAID projects continued in SEE – mostly in Serbia and BiH – currently we cooperate with the MEGA and the GAP projects on property and tax devolution as well as on land fees. In Armenia, our partner CFOA has developed a substantial program for two years to cover LG taxation and city of Yerevan Law, which will most likely be supported by the OSF and UNDP. Following the need to develop Central Asian local government capacities, FDI plans to link to ADB and together with the WBi develop a training facility in a private Turkish university in Ankara.

The program has developed good linkages to central governments where the policy input was and will continue to be an important part of our involvement. This is a sign of a good connection between LGI knowledge and dissemination provision capacities and implementation of specific technical assistance programs usually carried by other donors.

The SUN fiscal course and the MPP Decentralization and Fiscal tracks are very successful and continue as sustainable efforts linked to LGI, CEU and most likely some other donors.

# **I. GENERAL REVIEW OF ACTIVITIES**

## L1 ISTANBUL EVALUATION WORKSHOP

### Objectives and Background of the Istanbul Workshop

The Fiscal Decentralization Initiative (FDI) is a LGI and USAID co-funded program that concluded in December 2006 after a three-year funding period. This final report comes shortly before the conclusion of FDI's funding period, after the Istanbul evaluation workshop held in November 2005, when FDI organized an evaluation and planning workshop in Istanbul to present and discuss the impact of the program for the three years of its duration. Fifty participants attended the workshop. USAID representatives from all the countries of South Eastern European (SEE), and from some USAID projects in Central Asia and the Caucasus, were present and they shared some of their plans for work in the future.

The Istanbul workshop was designed around a group of objectives that sought to:

- A. Measure and present the impact of FDI events (policy forums, trainings, and technical assistance) to USAID and other FDI partners by summarizing evaluation questionnaires, regional reviews prepared by LGI experts, and papers/presentations from FDI's local partners and implementers of FDI projects.
- B. Look for synergies of programs between FDI and USAID in different countries and how to solicit USAID programmatic support.
- C. Solicit new ideas for programs from FDI's traditional partners—the WBi, UNDP, OECD, and the CoE.
- D. Solicit new ideas for programs and funding from new donors, including new donors from Central and Eastern Europe, the Baltic States, and Romania.

The workshop consisted of an evaluation of FDI's past work and a planning session for future FDI programs and activities.

FDI used questionnaire-based surveys and some of the conclusions and evaluations that follow are based on these. FDI also asked three regional advisers to present the impact in the their respective regions in regional reports and these findings also follow below. Finally, FDI invited to Istanbul some of the key project implementers and partners and asked them to present their findings on the impact of their projects.

In addition to the assessment of its past impact, FDI held a series of round table discussions and planning sessions, both with its partners and with a number of donors—USAID, UNDP, WBi, CoE, and some new donors from Central Europe—on future activities for FDI.

*Ken Davey*, Chair of the LGI Steering Committee, and *Adrian Ionescu*, Director of LGI, opened the workshop by welcoming all the partners and donors and presenting some

new LGI plans for FDI. *Susan Kutor* of the regional office of USAID in Budapest also welcomed the participants, thanked the USAID country representatives, and wished success to the future FDI stage of development. *Migara de Silva* of the WBi also welcomed participants and described the cooperation between the bank and LGI under FDI. *Glendal Wright* of UNDP/Bratislava and *Alfonso Zardi* of the Council of Europe (CoE) also spoke about their cooperation in Central Asia and the Caucasus (with UNDP) and in the Balkans—for supporting strategies for decentralization in SEE with the CoE.

*Ondrej Simek*, former FDI Manager, was invited to the event and presented his vision of the impact of FDI while he was managing the program (2003–2004). *Irina Faion*, current FDI Manager, presented the activities and impact of FDI work in the period 2004–2005. All partners and donor representatives listened to the LGI/FDI regional reports and country impact presentations in the first part of the workshop. The second half of the workshop consisted of two brainstorming sessions—one on the future plans for FDI in SEE and one on plans for Central Asia, Russia, and the Caucasus. The round tables came up with a number of key areas of intervention for 2007 (described below) as proposed activities for LGI/FDI.

What follows is an analysis of the FDI program's basic goals, advantages, achievements, and impact. This analysis is based on the FDI Istanbul workshop as well as on the reports and assessments of its partners and local implementers.

*"We have established close cooperation with our colleagues from Georgia and Azerbaijan. I meet at least twice a year with two former participants of the FDI regional forum—one from Georgia and the other from Azerbaijan—and together we are the members of the independent expert group on the European Charter of Local Self-government of the Council of Europe. We have exchanged information and ideas, as well as implemented joint projects..."*

—Armenian FDI participant

## FDI's Objectives, Concept, Structure, Geographic Scope, and Role

The major parameters of the FDI program were as follows:

- ? The Fiscal Decentralization Initiative (FDI) is a collaborative, regional, demand-driven, and multi-donor activity (WB, OECD, UNDP, USAID, OSI/LGI, and CoE).
- ? Bilaterals to the development agency of one country have also contributed to its efforts prior to 2003.
- ? The total budget for FDI activities implemented in October 2003–December 2006 was USD 2.4 million. This program completed in December 2006 and FDI will enter into a new phase of development.
- ? FDI was initiated in 1995 to advance decentralization in transition countries.
- ? The FDI Secretariat—the main contact and management point for FDI—is based at the Local Government and Public Service Reform Initiative (Open Society Institute) in Budapest.
- ? FDI relies on the extensive network of local offices of OSI and other FDI donor agencies and host country partners.
- ? FDI operated in more than 15 countries of South Eastern Europe, the Caucasus, and Central Asia.
- ? Traditional FDI clients are national and sub-national authorities and other stakeholders of decentralization such as members of Parliament, opinion makers, private sector and media representatives, NGOs, and civil society representatives.

FDI's strategic role in the lifetime of the project is presented here. FDI was created as a multi-donor initiative to:

- ? Advance the process of local government reform in the countries of SEE in order to improve the delivery of equitable public/social services, increase the efficiency of public spending, and improve the accountability of civil service.
- ? Increase the level of coordination among key donors—share responsibility, financing, and results (successes and failures).
- ? At least partially harmonize and streamline decentralization work in SEE, Central Asia, and the Caucasus. This was a very ambitious task, especially when compared to the resources (staff and funds) available at that moment.
- ? Complement country-specific donor activities in the area of decentralization.
- ? Support the policy debate and consensus building among central and local government.
- ? Facilitate regional transfer of experience and exchange of best practices.
- ? Provide some complimentary direct technical assistance and capacity-building programs to local governments.

- ? Share key information on local government reforms in the languages of local partners and in English by keeping an anchor system of partners who share information that is uploaded and disseminated through the LOGIN (Local Government Information Network) online project.
- ? Prepare young leaders and professionals work in the area of FDI and decentralization in general—through the specially designed Master of Public Policy stream at the Central European University (CEU) in Budapest, Hungary.

The advantages of co-funding FDI through LGI/OSI, the host of the FDI Secretariat, were unique and matched well with other donors' efforts in the field of decentralization:

- ? Being a private donor, LGI/OSI was very flexible in administering funds and programs.
- ? It had a large network of regional expertise.
- ? Good partnership with other donors.
- ? Linkages to "people on the ground."
- ? Links to academia through CEU

These advantages were a very good match to the donors working with governments—USAID, UNDP, WB, CoE—who were partner to the FDI program and could provide the access to governments as well as having large-scale development funds at their disposal. This has been underlined in many cases as the success of the program as LGI streamlined its networks, knowledge, and flexibility into other donors' work.

In terms of programming, LGI sees the comparative FDI advantages as follows.

FDI facilitates the exchange of information among the countries of the post-communist transition, whereby experts coming from Central Europe and the Baltic states contribute expertise to the countries of Central Asia, South Eastern Europe, and the Caucasus. FDI strongly believes that this practice has been relevant and valuable due to the proximity of experience in all transition countries. FDI's regional approach has facilitated the drawing of comparisons and analyses within regions and between regions, which has given a start to creative ideas for projects, study tours, and intense cross-regional cooperation. This has been supported by the tremendous potential for information gathering and exchange through the success of FDI's regional online network, LOGIN, functioning in 13 languages.

*“The recommendations from the FDI Forum ‘Financing Public Education in South East Europe’ influenced the work of the joint working group on education and subsequently served as a rationale to expand the scope of the education reform beyond the fiscal relations between central and local government and to focus on increasing the local governments’ authority over management and finance of education and speed up the application of the delegated school budget system.”*

—Bulgarian FDI participant

## Implementation and Topics of Intervention—Summary

The key elements of the FDI implementation strategy had the following characteristics:

- ? FDI built upon existing country organizations (like the Soros foundations network), unless direct partnership with government was possible.
- ? FDI took the approach to look for windows of opportunity—that is, to complement other donor programs in the countries of intervention.
- ? FDI combined the strengths of individual FDI partners and encouraged participatory design and implementation.
- ? FDI made a long-term investment through capacity-building programs and advisory support.
- ? FDI used the experience of more advanced Central European countries that have gone through some of the same reforms already and could relate to similar experiences.

The implementation stages of FDI were as follows:

- ? Policy advocacy (Why)
- ? Technical assistance (How)
- ? Capacity building and strengthening of key organizations (Who)
- ? Information dissemination

FDI’s entryway into each of the targeted countries was through the selection of a **priority policy topic** in the area of fiscal decentralization (in consultation with other donors and partners and especially with the support of USAID) and opened up the debate with a **policy forum** and a provision of recommendations. In case some of the stakeholders approached FDI after the forum to request **technical assistance**, and FDI responded to the demand with a specific advisory or consulting intervention (this was the case in Armenia, Moldova, Bulgaria, and Serbia). **Capacity-building** programs were delivered as separate programs and also integrated into some of the technical assistance programs. Information

dissemination also was an integral part of the program—and was implemented through LOGIN and regular publications based either on the forums' proceedings or other key topics. In addition, the **Masters of Public Policy** program on fiscal decentralization added value by enhancing the education of young people in the area of fiscal decentralization. Concurrently, the annual summer university courses at the CEU in Budapest add to the expertise of young professionals. FDI is working towards their better integration into the work of governments in their own countries.

*"FDI is unique in its ability to gather representatives of so many other countries to talk about their experience with decentralization. Decentralization involves as much or more political will and subjective assessment as it does 'technical' matters of equalization or subsidiarity. The opportunity for Central Asian representatives to interact with others who have engaged in decentralization reforms, especially from within the fSU, but more generally the CEE region is important insofar as demonstrating what can be done and the political difficulties that arise."*

—A Kyrgyz evaluator

## FDI Areas of Intervention 2003–06

FDI functioned in three regions—South Eastern Europe (SEE), the Caucasus, and Central Asia. The topics FDI covered differed and depended on the level of decentralization or the political will to start the process. The greatest variety of issues and topics were covered in SEE as this is the region where a lot of groundwork was done by donors, the legal framework of decentralization was in place, and this allowed FDI to move into more specific areas of intervention.

In **South Eastern Europe**, FDI covered the following topics—decentralization and equalization, property taxation, regional development and decentralization, capital cities financing, and financing education. Additional support was provided for the Council of Europe's ministerial conference on central governments' progress on decentralization as well as on developing benchmarks to measure that progress. In SEE, FDI noticed the greatest progress towards setting up the legal frameworks for decentralization, as well as improved management capacities of local governments, and reformed grant allocation systems. These recent developments open up space for further work in the area of decentralization of service

provision in the social sector, raising local government revenue capacities (property tax, land fees, charges, etc), rural development, etc.

In the **Caucasus**, FDI covered the same topics in relation to a general awareness building about the importance of decentralization—a forum on decentralization and intergovernmental finance was held in Armenia, another policy forum on capacities for local government associations was held in Georgia; one specific technical assistance project has been implemented—reform of the equalization formula in Armenia with an extension beyond this project to amend legislation.

In **Central Asia**, FDI also concentrated on general awareness building policy forums on decentralization, a national forum on local government competences in Kyrgyzstan, and a forum on financing education in Tajikistan (not completed, see details in the project descriptions). One capacity-building forum on poverty reduction and finance was delivered too.

In doing so, FDI has delivered a mix of planning workshops, policy forums, capacity building and technical assistance. To date, under FDI the following comprehensive programs have been delivered (these specific events delivered by FDI are described in the table in the **Annex** to this chapter):

- |   |   |
|---|---|
| ? | <b>Seven FDI Country and/or Regional Policy Forums</b> —seven forums delivered across the three regions and one being designed (Tajikistan)   |
| ? | <b>Two International Conferences</b> —two, for the Caucasus and SEE   |
| ? | <b>Three Regional Association workshops</b> —three workshops in the three regions   |
| ? | <b>Two FDI capacity-building events</b> —two trainings delivered for Central Asia in SEE (Romania)  |
| ? | <b>Six FDI technical assistance projects</b> —six projects delivered in SEE, Moldova, and Armenia   |
| ? | <b>20 Master of Public Policy Fellowships</b> —20 FDI fellows supported under FDI fellowships in the Master of Public Policy course at the Central European University.   |
| ? | <b>Two Fiscal Courses Delivered at the CEU Summer University</b> —75 professional trained at the CEU Summer Course on Intergovernmental Fiscal Relations  |
| ? | <b>LOGIN Network</b> —As of September 12, 2006, the LOGIN online library has 9,021 full text downloadable documents in 35 topic categories available at no cost to users— compared to the 4,900 documents in August 2003. This means an increase of 84 percent during the course of three years. FDI's original objective was to exceed 8,500 as the number of LOGIN online library entries by the end of the USAID-OSI Cooperative Agreement. To date, LOGIN users have downloaded 225,284 documents from the library since February 26, 2003. |

? **Six Publications**—Six publications based on Forum papers—on property taxation, financing education, regional development, equalization (in SEE), on equalization (in the Caucasus) and on local government functions and revenues (in CA).

## FDI's Impact—Overview

Based on project **evaluations** and the **results** of the evaluation questionnaires (see attached questionnaire in the **Appendix** that forms part three of this report), more than 300 beneficiaries of FDI assistance stated that the following broadly defined areas of progress in the field of decentralization were of most significant importance to them:

- ? improved policy design and the policy process
- ? increased knowledge, comparative experience, and understanding of decentralization
- ? enhanced the process of developing decentralization strategies or decentralization legislation as well as amendments to laws related to decentralization
- ? improved inter-ministerial and donor coordination
- ? improved participatory approach in the budgetary process
- ? improved local government capacities in financial management and planning
- ? reformed intergovernmental transfers
- ? improved information sharing and knowledge transfers

More specifically, FDI had the following impact across the regions in which it operates:

1. Facilitated a participatory approach to the policy processes related to decentralization—bringing a variety of stakeholders together to work on policies and technical issues and seeking consensus on recommendations (government, local government associations, nongovernmental organizations [NGOs]).
2. Facilitated ministerial exchange of ideas and experiences across the countries of the region—Property Tax, Equalization, Education, Regional Development, and Capital Cities Conferences.
3. Many of the findings of the research, policy design, and fiscal formulae served as the basis for drafting new or amending old legislation. In **Moldova**, the Law on Decentralization, the Law on Local Public Administration and amendments to the Law on Local Public Finances; in **Serbia**, the new Law on Public Finance and

draft Law on Urban Land Privatization; in Macedonia, the Law on Property; in Bosnia and Herzegovina, the Law on Revenue Allocation; in Armenia, amendments to the Law on Fiscal Equalization); and again in Bosnia and Herzegovina, the recommendations of the research on the status of Sarajevo will be included in the amendments of the constitution on the status of the city.

4. By funding and channeling research studies to support decision-making on specific topics, FDI has broadened the available access to information and knowledge in all the countries of intervention. Under FDI, a fiscal decentralization policy program (Masters of Public Policy) was developed and FDI fellows received fellowships for a one-year course of study at CEU in Budapest; the summer university courses on fiscal decentralization are also a source of increasing the knowledge capacities of young professionals.
5. FDI supported the policy process within ministries by helping with the design of policy strategies—ministry of education and finance in Armenia, Bulgaria, and Moldova.
6. FDI worked through Central European, Baltic, and Russian experts who provided advisory services and trainings and thus increased the policy capacities of central and local government associations, NGOs, and think tanks on decentralization in Armenia, Bulgaria, Moldova, and Serbia.
7. FDI activities triggered additional donor support and more funding to continue with the FDI-initiated projects in Bulgaria, Moldova, and Romania.
8. FDI activities triggered further talks and negotiations with ministries of finance and ministries of education to continue the assistance. In Serbia, the Ministry of Finance agreed with FDI on further steps in the privatization of urban land; in Bulgaria, the Ministry of Education agreed with FDI on how to proceed with EU Operational Programs and reforming human resources in education.
9. FDI involved other donors in the process in Armenia, Bulgaria, Kyrgyzstan, and Serbia.
10. FDI enhanced donor coordination in Bosnia and Herzegovina, Kyrgyzstan, Moldova, and Serbia.
11. FDI was complemented by other activities related to decentralization but executed under different programs or projects of LGI/OSI in Bosnia and Herzegovina, the Caucasus, and Serbia.

12. FDI created some innovative products like the intergovernmental fiscal track within the Master of Public Policy program and LOGIN, the online local government information network.

*"FDI and USAID provided a forum for discussion of the most sensitive and complex issues in a decentralization process—competences and finance models (Regional Conference on Fiscal and Functional Decentralization of a Capital City, Belgrade, May 23, 2006). The conference proved how effective could be cooperation between SLGRP and FDI, in terms of networking and providing solutions for complex problems in the region."*

—A Serbian assessor on FDI

## ANNEX I.1 FDI ACTIVITIES DELIVERED 2003–2006

FDI (LGI – USAID) in SOUTHEAST EUROPE 2003 – 2006

ACTIVITY	TIMING COUNTRY/REGION	PURPOSE	KEY LOCAL STAKEHOLDERS	DONOR PARTICIPATION	IMPACT
<b>Planning Workshop</b>					
FDI Planning Workshop	13 November, 2003 Budapest, Hungary	To solicit involvement of local OSI and USAID offices/ implementing agencies and to agree on specific areas for intervention/assistance under the operation activities of the FDI program;  To formulate specific country or regional FDI activities responding to the needs in the three geographical regions.		OSI/ LGI USAID CoE UNDP ADB WBi	- To outline the work plan for 2003-2005  - To prepare the detailed implementation schedule
<b>Policy Forums</b>					

Reforming Property Taxation in South East Europe	27 – 28 May, 2004 Skopje, Macedonia	To give participants an opportunity to learn from each other's experience as a way of providing assistance with design of more mature and robust locally administered property taxation systems in their home countries.	DAI	OSI/ LGI USAID	<ul style="list-style-type: none"> <li>- Macedonian MoF study tour to Slovenia</li> <li>- Exchange of views with the participation of all the ex Yugoslav countries</li> <li>- Conference proceedings published</li> </ul>
Reforming Fiscal Equalization in South East Europe	19-20 November, 2004 Belgrade, Serbia	To provide an opportunity for countries in SEE to share knowledge and experience respecting best practices in intergovernmental finance reform, with particular emphasis on fiscal equalisation.	DAI/Serbia Standing Conference of Towns and Municipalities of Serbia	OSI/ LGI USAID DAI Macedonia The Urban Institute Montenegro USAID Serbia USAID Croatia	<ul style="list-style-type: none"> <li>- Request from Moldovan TA project</li> <li>- Conference proceedings published</li> </ul>
Financing Public Education in South East Europe	21-22 March, 2005 Sofia, Bulgaria	To provide an opportunity for countries in SEE to share knowledge and experience respecting best practices in intergovernmental finance reform, with particular emphasis on education financing.	USAID/Bulgaria LGI Bulgaria DAI/Macedonia	OSI/ LGI USAID UNDP USAID Bulgaria DAI Macedonia	<ul style="list-style-type: none"> <li>- Request from the OSI Bulgaria to conduct the TA project on the reforms of the teachers' remuneration system</li> <li>- Conference proceedings to be published in 2007</li> </ul>

The Challenge of Financing Regional Development in South East Europe	1-2 December, 2005  Tirana, Albania	To provide an opportunity for countries in SEE to share knowledge and experience respecting best practices in regional development reform, with particular emphasis on the performance results of financing and service or program delivery efforts and strategies.	UNDP Bratislava RSC Soros Foundation Albania	LGI/OSI USAID UNDP Bratislava RSC	- Conference proceedings published in 2007
Fiscal Decentralization: Challenges for the Republic of Moldova ( <i>national forum under the TA program</i> )	9-10 March, 2006  Chisinau, Moldova	To join a wide range of local and international governmental and non-governmental groups of stakeholders and to generate the opportunity of holding deep discussions on the reform of local public finances system in the context of fiscal decentralisation and inter-budgetary fiscal transfer relations, initiated by the Ministry of Finance of Moldova.	MoF Soros-Moldova	LGI/OSI USAID	- Information exchange between the project implementers and the major stakeholders in the mid term phase of the TA project  - Conference proceedings published
<b>Capacity Building</b>					
Master of Public Policy - FDI Fellowships 2004 / 05 and 2005 / 06	2004-2005 2005-2006  Budapest, Hungary	To give an opportunity to relevant pro-reform oriented candidates from SEE and fSU selected through an open competition to receive fully fledged academic training in the field of public policy with a special focus on public finance and intergovernmental fiscal relations. Out of 20 fellowships in two academic years 11 fellowships were granted to students from the SEE region	CEU	LGI/OSI USAID	- Enlarged the constituency of the university in the region  - Support the capacity of pro reform oriented policy makers  - MPP course became fully fledged university department

2 courses on Intergovernmental Fiscal Relations and Local Financial Management	12-23 July, 2004 4-15 July, 2005 Budapest, Hungary	The courses have been designed for the practitioners, researchers/academics and trainers in the area of public finance related to local government issues and intergovernmental fiscal relations.	CEU/SUN	OSI/LGI WBi	- Support the capacity of pro reform oriented policy makers
Management of public funds on local level in South East Europe: The role of local government associations	5-6 July, 2004 Bled, Slovenia	The main objective of the workshop was to bring together local government representatives from all NALAS member countries for identifying the role of local government associations in SEE in assisting their members in the area of financial management.	The Association of Municipalities and Towns of Slovenia, Council of Europe	LGI/OSI Council of Europe	- Transfer of experience in association building
Local Government Fiscal Capacities and Co-Financing Options for EU Structural Funds. Training for 12 municipalities in the region of Bucharest	November 2006 Romania, Bucharest	To improve financial and project planning, implementation, evaluation, and risk analysis in the face of EU funds at the local level	OTP, Raiffeisen Bank, OSI/LGI	OSI/LGI	<ul style="list-style-type: none"> <li>- Transfer of knowledge between LGs and banks on loans</li> <li>- Development of ToTs for Romanian consultants</li> <li>- Transfer of program to Bulgaria</li> </ul>
<b>Technical Assistance</b>					

<p>Value for money – reshaping the remuneration system in Bulgarian education: Technical Assistance to the Ministry of Education and Science of Bulgaria</p>	<p>March – December 2006  Sofia, Bulgaria</p>	<p>The project has been designed based on a request by the Bulgarian Ministry of Education and Science to provide support and technical assistance in the process of reforming the remuneration system in Bulgarian education.  The goal of the project is to reshape the system teachers' payment in a way that will stimulate creativity, innovation and quality and thus break the traditional teacher-focused education.</p>	<p>OSI-Sofia  Ministry of Education and Science  Expert Analyses Group</p>	<p>LGI/OSI USAID</p>	<ul style="list-style-type: none"> <li>- Proposal to MoE on new text to involve HR needs and work in the education area</li> <li>- Implementation of further capacity building activities on regional inspectorates</li> </ul>
<p>Reform of the intergovernmental relation system in Moldova: Technical Assistance to the Ministry of Finance</p>	<p>November 2005-September 2006  Chisinau, Moldova</p>	<p>The project has been designed as a follow up to a regional FDI forum "Reforming fiscal equalization in South East Europe", which took place on 19 - 20 November 2004. The Moldovan Ministry of Finance requested technical assistance from OSI/LGI in reform of the current intergovernmental transfer system in Moldova.</p>	<p>The Ministry of Finance of Moldova  Soros Foundation-Moldova</p>	<p>LGI/OSI USAID</p>	<ul style="list-style-type: none"> <li>- Cooperation increased between the MoF and academics and NGOs</li> <li>- Draft law prepared by the MoF on local public finances</li> <li>- Participation and cooperation of various LG associations</li> </ul>
<p>Reform of the Urban Land Finances in Serbia</p>	<p>April 1, 2006 - July 31, 2006  Belgrade + the towns of Smederevo, Paraćin, Kragujevac, Subotica</p>	<p>To evaluate existing fiscal zoning, revenue collection and municipal infrastructure management systems in 5 municipalities and to propose recommendations for improving them.  To evaluate operations, status and organization of Land Directorates and to propose recommendations regarding institutional reform in that area.</p>	<p>Center for Liberal Democratic Studies (Belgrade)</p>	<p>LGI/OSI USAID DAI Serbia</p>	<ul style="list-style-type: none"> <li>- Recommendations included in the draft law on urban land privatization</li> <li>- Study published and distributed</li> </ul>

Fiscal and Functional Decentralization of the Capital City of Belgrade (with special consideration of the City of Belgrade)	March 15, 2006 - May 15, 2006 Belgrade, Serbia	To improve intergovernmental fiscal relations between the Republic of Serbia and the city of Belgrade as well as the City of Belgrade and its municipalities by enhancing better distribution of competences and mandate funding.	PALGO  USAID Program for Reform of Local Government in Serbia (SLGRP)	LGI/OSI USAID	- Development of a comparative study across Europe on capital cities and their functional and fiscal relations with central governments
Status of City of Sarajevo	March-September 2006 Sarajevo, BiH	To contribute to the defining of the legal, financial and institutional aspects of the status of the City of Sarajevo as an important factor in the process of stabilization and development of BiH	Center for Civic Initiatives	OSI/LGI USAID	- High level of cooperation between city and higher level of governments  - Project meant basis for the constitutional redefinition of the status of Sarajevo City

**FDI IN CENTRAL ASIA**

2003 – 2006

ACTIVITY	TIMING COUNTRY/REGION	PURPOSE	KEY LOCAL STAKEHOLDERS	DONOR PARTICIPATION	IMPACT
<b>Planning Workshop</b>					
FDI Planning Workshop	13 November, 2003 Budapest, Hungary	To solicit involvement of local OSI and USAID offices/ implementing agencies and to agree on specific areas for intervention/assistance under the operation activities of the FDI program;  to formulate specific country or regional FDI activities responding to the needs in the three geographical regions		OSI/ LGI USAID CoE UNDP OECD ADB WBi	- To outline the work plan for 2003-2005  - To prepare the detailed implementation schedule
<b>Policy Forums</b>					
Delegated And Own Local Self-Government Functions In The Kyrgyz Republic – Legal, Administrative And Fiscal Aspect And Impact On Intergovernmental Transfers	June 29-30, 2006 Bishkek, Kyrgyz Republic	To provide an opportunity for local policy makers, practitioners, donors and government to share their models and solutions in the area of LSG autonomy and delegated functions, in their legal, functional and fiscal aspects;  to bring in international experts with applicable experience to share their relevant practices and propose alternative ideas, models and formulas to the government and policy makers of the RK;  to decide on the provision of a specific technical assistance support as needed after	Soros Foundation Kyrgyzstan  The Urban Institute	LGI/OSI USAID UNDP-BRC WBi	-Road Map for local government's future status and functions  - Coordination group of Swiss DA, WB, SIDA and MoF jointly support budget reforms  - Capacity building plans for MoF funded by OSI/LGI

		the Forum and with the help of foreign consultants.			- Conference proceedings published
Financing Education in Tajikistan	To be delivered in 2007 Dushanbe, Tajikistan	To assess per-pupil funding in pilot regions; To recommend measures to improve decentralization of education, school management and delegated budgets	MoF of Tajikistan MoE of Tajikistan, Local educational NGOs	USAID, UNDP, WBi, ABD, Agha Khan Foundation, Soros Foundation	- The event didn't take place based on the prior agreement with USAID/CTO
<b>Capacity Building</b>					
Master of Public Policy - FDI Fellowships 2004 / 05 and 2005 / 06	2004-2005 2005-2006  Budapest, Hungary	To give an opportunity to relevant pro-reform oriented candidates from SEE and fSU selected through an open competition to receive fully fledged academic training in the field of public policy with a special focus on public finance and intergovernmental fiscal relations. Out of 20 fellowships in two academic years 5 fellowships were granted to students from Central Asia.	CEU	LGI/OSI USAID	- Enlarged the constituency of the university in the region  - Support the capacity of pro reform oriented policy makers  - MPP course became fully fledged university department
2 courses of Intergovernmental Fiscal Relations and Local Financial Management	12-23 July, 2004 4-15 July, 2005  Budapest, Hungary	The course has been designed for the practitioners, researchers/academics and trainers in the area of public finance related to local government issues and intergovernmental fiscal relations.	CEU/SUN	OSI/LGI  WBi	- Support the capacity of pro reform oriented policy makers

<p>Developing local government associations in Central Asia: Representing interests and providing services to association members</p>	<p>30 September-1 October, 2004 Bishkek, Kyrgyzstan</p>	<p>To assess capacity of local government associations in Central Asia to respond to needs of members in terms of policy development, advocacy, capacity building, information dissemination and international representation/cooperation</p>	<p>Soros Foundation Kyrgyzstan  The Urban Institute - Kyrgyzstan</p>	<p>LGI/OSI USAID</p>	<p>- Transfer of experience in association building</p>
<p>Training Workshop: The Public Finance Management to Stimulate Poverty Reduction and Local Economic Development</p>	<p>8-10 December, 2005 Almaty, Kazakhstan</p>	<p>Capacity strengthening and widening of experts networks in Central Asia for sustainable regional and local development through 3-day training workshop for the representatives of state agencies, analytical centers and non-governmental organizations of Kazakhstan, Kyrgyzstan and Tajikistan.</p>	<p>Moscow Public Science Foundation  PPRC-Kazakhstan</p>	<p>LGI/OSI USAID</p>	<p>- Idea came up to link such trainings into the PPCR summer academy which is supported by OSI/LGI</p>

**FDI IN THE CAUCASUS**

2003 – 2006

ACTIVITY	TIMING COUNTRY/REGION	PURPOSE	KEY LOCAL STAKEHOLDERS	DONOR PARTICIPATION	IMPACT
<b>Planning Workshop</b>					
FDI Planning Workshop	13 November, 2003  Budapest, Hungary	To solicit involvement of local OSI and USAID offices/ implementing agencies and to agree on specific areas for intervention/assistance under the operation		OSI/ LGI; USAID, CoE, UNDP, OECD, ADB, WBi	- To outline the work plan for 2003-2005  - To prepare the detailed implementation schedule
<b>Policy Forums</b>					
Fiscal Decentralization Forum-Georgia	12-13 July, 2004  Tbilisi, Georgia	To provide opportunity to discuss challenges and prospects of fiscal decentralization for Georgia with special focus on analysing the legal framework for decentralization and the territorial reorganization of LG units, assessing financial viability of local self-government units and local financial management.	Civitas Georgia	OSI/LGI  USAID	- Conference proceedings published
Fiscal Decentralization in Armenia	14-15 July, 2004	To provide opportunity to discuss challenges and prospects of fiscal decentralization for Armenia with	Communities Finance Officers Association	OSI/LGI	- Development of the TA project on fiscal equalization

<p>- Conference proceedings published</p>	<p>USAID</p>		<p>special focus on analysing the legal framework for decentralization, political decentralization and public service delivery and capacity building.</p>	<p>Yerevan, Armenia</p>	
<p>- Development of the Armenian TA project on fiscal equalization</p>	<p>LGI/OSI USAID UNDP WBI</p>		<p>To facilitate exchange of ideas among national and sub-national policy makers, independent local government experts, interest representatives of sub-national governments, non governmental organizations and other stakeholders about options for development and implementation of fiscal equalization policies in Georgia, Armenia and Azerbaijan</p>	<p>15-18 June, 2005 Bodrum, Turkey</p>	<p>Fiscal Equalisation in Caucasus</p>
<p>- Specific reform requirements directed to central government officials</p>	<p>LGI/OSI; UNDP</p>	<p>MOE, MinFin, LGs, NGOs</p>	<p>General awareness building on the benefits of decentralizing and financing of delivery of public services</p>	<p>November 2006 Baku, Azerbaijan</p>	<p>National workshop to disseminate experience received in the course of study tour to the Czech Republic</p>
<p>- Enlarged the constituency of the university in the region - Support the capacity of pro reform oriented policy makers</p>	<p>LGI/OSI USAID</p>	<p>CEU</p>	<p>To give an opportunity to relevant pro-reform oriented candidates from SEE and FSU selected through an open competition to receive fully fledged academic training in the field of public policy with a special focus on public finance and intergovernmental fiscal relations. Out of 20 fellowships in two academic years 4 fellowships were granted to students from the Caucasus.</p>	<p>2004-2005 / 2005-2006 Budapest, Hungary</p>	<p>Master of Public Policy - FDI Fellowships 2004 / 2005 and 2005 / 06</p>
<b>Capacity Building</b>					

					- MPP course became fully fledged university department
2 courses of Intergovernmental Fiscal Relations and Local Financial Management	12-23 July, 2004 4-15 July, 2005  Budapest, Hungary	The course has been designed for the practitioners, researchers/academics and trainers in the area of public finance related to local government issues and intergovernmental fiscal relations.	CEU/SUN	OSI/LGI  WBi	- Support the capacity of pro reform oriented policy makers
Developing local government associations in Caucasus: Representing interests and providing services to association members	22 - 23 September, 2005  Tbilisi, Georgia	To assess capacity of local government associations in Caucasus to respond to needs of members in terms of policy development, advocacy, capacity building, information dissemination and international representation/cooperation;	NALAG	LGI/OSI; USAID; WBi	- Transfer of experience in association building
<b>Technical Assistance</b>					
Development of Financial Equalization Mechanism in Armenia	January -- December 2006  Armenia	Development standards for mandatory powers implementation;  Development typology for municipalities (in terms of equalization);  Equalization formula development; Development of draft amendments to the Law on Financial equalization;  Presentation of prepared materials	Communities Finance Officers Association  USAID Armenia  Soros Foundation Armenia	LGI/OSI  WB  UNDP  GTZ  DFID	- Draft law implemented on fiscal equalization  - Methodology is very useful for further LG developments

		<p>(Conference) with representatives of the Parliament, Government and Local authorities and etc.;</p> <p>Introduction of prepared materials (Law drafts) to the Parliament and the Government</p>			
--	--	--	--	--	--

## **I.2 FDI SUSTAINABILITY AND FUTURE PLANS: 2007–2008**

With the phasing-out of USAID regional funds starting in 2007, FDI will continue to be funded by LGI/OSI. However, since FDI funding will be reduced (until there is an expression of further interest by other donors) in the next year, FDI would like to propose the following rationale for optimizing LGI's contribution to FDI:

- 1) Capitalize on the traditional strategic strengths of the LGI/OSI program to better utilize these in the framework of FDI
- 2) Carefully select and focus on specific topics of intervention by region on FDI's side and with the help of the present conference partners
- 3) Present an LGI proposal on operational activities by which to maximize the advantages of LGI/OSI input and use of FDI's funds most efficiently
- 4) Propose to donors how they can benefit from FDI's work and how FDI can benefit from their cooperation

### **Better Utilizing the Strategic Strengths of LGI/OSI**

#### **People, Capacity and Networks of LGI/OSI:**

Have a wide network of well-respected researchers on decentralization in general, on public finance, and policy development for public sectors

Have a wide network of good trainers on the above issues

#### **Informational capacities (available in the native languages FDI works with and in English)**

LOGIN and national anchors—providers of information in their countries

Research materials and publications as well as distributional operations

#### **Policy capacities**

LGI/OSI is affiliated with CEU and the Center for Policy Studies based there; it can thus link professional training with in-country needs for practitioners and leaders who work on decentralization trainings by sector and topic (for example, LGI's Policy Development Program, its fellowships, and its contribution to the CEU's program of summer university courses).

LGI/OSI also supports and works with two of its networks: NISPAcee (Network of Institutions and Schools of Public Administration) and PASOS (Policy Association for an Open Society).

#### **Comparative/regional versus national focus of strategies, methods, and activities**

LGI/OSI has a network of experienced experts and organizations from Central Europe and some Western European countries who have worked in a variety of countries and have a comparative approach and knowledge that is useful to many Central European countries

LGI/OSI has experience in organizing regional conferences, trainings, and workshops in a strategic and inclusive way and also experience in designing training materials and agendas to match different countries and regions

LGI/OSI keeps an extensive partners' network in the three regions as well as in Central Europe, Russia, the Baltic states, and Ukraine. LGI/OSI is supporting and cooperating actively with the PASOS network.

#### **Experience in linking governments and civil society for joint research, policy, trainings, and technical assistance projects**

This has been proven by all of the LGI/OSI projects FDI has worked on so far.

### **Selecting and Focusing on Specific Topics of Intervention**

#### **South Eastern Europe**

LGI/OSI proposes to continue to build on some key issues in the decentralization area that FDI has worked on in South Eastern Europe. These continued actions, however, will have to be focused and fine-tuned with the donors' country offices as well as with the WBi, UNDP, and the CoE:

- ? Monitoring of the implementation of decentralization laws and their impact; using benchmarks developed by the CoE (in cooperation with USAID and CoE); bringing issues of decentralization closer to members of Parliament
- ? Continued reform of property taxation (tax collection, registers, and enforcement) as a key source of local government own revenues
- ? Financing education and educational policies in a decentralized context (strategies for implementing per capita financing, differentiated payments for teachers, delegation of budgets, ministry of education policies on educational development, etc); FDI plans to set up an advisory group to come up with a strategic approach on these issues

- ? Financing of social services and rural development
- ? Local government strategic budgeting, management of EU funds, and borrowing in the context of EU programs (for Bulgaria and Romania)

#### **The Caucasus**

- ? Legal amendments and implementation of the equalization formula developed by local FDI partners and donors in Armenia (with the cooperation of UNDP)
- ? Revenue assignment and taxation (with a focus on Armenia and Georgia)
- ? Capacity building for performance budgeting (in cooperation with the WBi)
- ? Local government budget management and transparency
- ? Building capacities for associations of local governments (with a focus on Azerbaijan)

#### **Central Asia**

- ? Local government own and delegated functions; differentiation of functions at local, rayon and central levels (with a focus on Kyrgyzstan)
- ? Revenue assignment and taxation (Kyrgyzstan)
- ? Financing education (with a focus on Kyrgyzstan and Tajikistan)
- ? Capacity building for performance budgeting (in cooperation with the WBi)

LGI/OSI proposes the following new topics put forward by the LGI Steering Committee. These need to be harmonized with other donors' programs and activities by region:

- ? **Marketization of public services**
- ? **Audit and control at the local level** (the Policy Association for Open Society [PASOS] members doing research on major needs and FDI follows with training in cooperation with the WBi and USAID on policy and strategy development)

## Maximizing the Advantages of LGI/OSI Input and Funds

The rationale for proposing a move away from FDI's traditional tools of action is as follows:

- ? LGI would like to channel into its programs in a more efficient way its access to international knowledge and experience.
- ? LGI would like to intensify the comparative component of policy development and assistance and thus strengthen its regional approach.
- ? LGI would like to have a more strategic approach to decentralization topics that are important for each one of the regions—for example, financing education, property taxation, or equalization.
- ? LGI would like to integrate the purely fiscal issues of decentralization into the broader framework of decentralization policies and strategies and follow-up with complementary policy development and implementation.

Following that rationale FDI would like to propose a shift:

1. From general decentralization policy conferences to an issue-based series of coordinated and demand-driven **workshops** (proposed by donors and partners) for practitioners and policymakers, most likely held on the premises of OSI and/or CEU
2. From in-country specific trainings and technical projects to regional and strategic series of **conferences and trainings** held on the premises of OSI and/or CEU; and then linking these to needed technical assistance where trained participants will be the leaders on specific assistance projects. LGI will then provide advisory assistance on a country-by-country basis.
3. From LGI's lead role in all activities so far carried out under FDI to having a lead role in **designing** the substance of the regional support activities (together with UNDP, WBi and the CoE) and to having a **coordinating** role in proposing and selecting trainees and topics for technical assistance projects.
4. There will be no shift proposed from FDI's publications and research as well as from its work with LOGIN.

The key proposed changes are described in greater detail below:

1. Careful selection of some key priority topics based on previous LGI/FDI experience in the three regions: as already proposed above
2. Developing a series of **strategic regional issue-based** programs for leaders, hands-on public officials, and NGO representatives who will be nominated by FDI's in-country partners/donors. These programs could be executed with the programmatic and financial support of other regional donors (WBi, UNDP). These programs could include the following schemes:

- a) series of regional issue-based workshops with the purpose of complementing or providing new knowledge and expertise in specific key areas of decentralization—these will be needs-based and requested from its donor partners (OSI-based); they will target practitioners from central and local governments
  - b) series of regional strategic planning and policy development trainings for central and local government officials involved in developing and implementing strategies and plans on decentralization; these trainings will focus not only on fiscal issues but on some overall strategies (OSI-based)
  - c) seeking a linkage between participants in the workshops and trainees and the FDI in-country technical assistance programs—FDI proposes to commit these participants to developing specific projects for FDI and to participate in them as well as mobilize other partners
  - d) demand-driven study tours—proposed by FDI's in-country partners/donors and based on a strategic need
3. Continued support for research and publications – to complement donors' policy needs
  4. Continued exchange of information through LOGIN

## How Can Donors Benefit from FDI and How Can FDI Benefit from their Cooperation

The following are FDI's proposals:

- 1) In-country donors' offices could propose and request from LGI support for research on specific issues which are of importance to their work and for which they do not have enough funds and capacity.
- 2) In-country offices could propose and request from LGI to host a group of practitioners and young leaders with proven records of public involvement and commitment for workshops on specific issues related to decentralization. The nominations and selection of these participants will be carried out jointly with donors and LGI. Their expenses will be covered either by nominating in-country donors or national funds; the expenses for the trainers and the training materials will be covered by LGI/OSI (there might be cooperation with the WBi and UNDP).
- 3) In-country donors' offices could suggest a carefully selected group of young leaders and mid-career professionals from the public sector to take part in longer-term public policy trainings by sector. One such clear possibility emerging as a result of FDI's recent interventions is the area of public services and especially decentralized education. There is a clear need in SEE as well as in some countries in Central Asia to provide support for fiscal and broader policy strategies in the area of decentralized education. The same holds true for social welfare and healthcare.

- 4) The attendees of the trainings will be requested to propose the specific areas of intervention and technical assistance to LGI, in-country partners, and donors whereby they also can take part in the implementation of the projects using their acquired knowledge and experience. LGI will then select winning proposals and provide support in terms of expertise and further capacity development. The technical assistance projects' funding will be a matter of joint LGI-donors funding in case there is a possibility to do so.
- 5) In-country donors' offices also could propose to LGI ideas for research and publication that may enhance the understanding of decentralization issues in the region.
- 6) LGI could host a number of study tours and organize meetings and talks with the respected partners of interest. LGI has good experience in organizing such visits in the countries of Central Europe. The expenses for the tours could be a matter of negotiation.

## I.3 FDI IMPACT AND SUSTAINABILITY IN SEE 2007–2008

This first part of this section is excerpted from the regional report on South Eastern Europe prepared by LGI experts *Gabor Peteri* and *Anthony Levitas* before the Istanbul workshop. The second part is derived from the comments received during the event.

### Reforms and Changes

Major substantive decentralization programs were implemented in this period. Decentralization strategies were launched in **Albania and Bulgaria**; political programs were implemented in **Macedonia** and under the **Ohrid Agreement**; gradual, technical reforms initiated changes like the national tax reform in **Bosnia and Herzegovina and Serbia**; fiscal decentralization programs in **Croatia, Montenegro, Romania, and Serbia**.

Several international technical assistance programs were implemented parallel to FDI activities. Cooperation with these country-focused programs provided mutual benefits for all partners.

### Specific Results

Decentralization became an accepted political and economic target that has changed how public services and intergovernmental fiscal relations are managed. Despite that fact, the devolution of government functions has not changed considerably and the usual indicators show that there is still a great potential for further decentralization in these countries (local budgets are five to seven percent of GDP, using 13 to 20 percent of general government expenditures).

1.) FDI supported the reform of charges imposed on the use and development of **urban land in Serbia** and helped the reform of the property. Perhaps the most critical unresolved issue in the region is the property transfer.

2.) In **Serbia and Bosnia and Herzegovina**, the assistance to the **financing of capital cities** has helped with the drafting of new statute for the City of Belgrade and has helped initiate an important and long overdue discussion of the situation in Sarajevo.

3.) In **Serbia**, FDI's support to the Standing Conference of Towns and Municipalities (SCTM) in developing, maintaining, and using local government revenue

data helped the association in drafting the new **Law on Local Government Finances** and will help it monitor its execution.

4.) FDI played a substantial role in the development and passage of Serbia's new **Law on Local Government Finances**. This was implemented through a regional conference on fiscal equalization, support to SCTM Working Group and timely provision of "second opinions" at critical moments.

5.) In **Bosnia and Herzegovina**, FDI played a supporting role in the development of the new **Law on Revenue Allocation** by using similar methods of assistance.

6.) In **Macedonia**, the FDI regional conference on Property Tax Reform supported the reform of the Law on Property Taxes.

In this period local governments have developed diverse municipal revenue bases: the property tax is a widely known mechanism and the personal income tax (PIT) surcharge is used in Croatia and Montenegro, where new rules of revenue sharing have been implemented after the introduction of the value added tax (VAT).

Intergovernmental transfers have been modernized and progressive models have been introduced. The scope of grants has been stabilized: general grants are used in **Albania, Croatia, Macedonia, Serbia**) and standardized methods in **Albania and Serbia**. Formula-based grant allocation is known and widely practiced. Transparency of grant allocation has been improved.

## Impact

FDI funds have been used most effectively in countries where international local government projects involved local professional resources (think tanks, NGOs, etc.). In this configuration, there is a strong incentive for individuals both to "middle-man" (design activities, help draft grant applications, control quality) FDI funds and to make sure their results are consumed.

- ? Provided funding for regional activities that country-focused donors do not fund, but that were extremely helpful in promoting decentralization agendas.
- ? Rapid, high-level experts for "second" opinions on decentralization strategies as they emerge.
- ? Facilitated inter-ministerial contact and experience exchange across the countries of the region in areas like property taxation, equalization, education, and capital cities conferences.
- ? Increased the capacity of local government associations, NGOs, and think tanks to deal with decentralization-related issues by providing funding to address key issues.

- ? Increased the knowledge base available to policymakers by funding important research efforts related to decentralization.

## Sustainability and Future Activities

1. In many SEE countries, the basic legal frameworks for reasonably stable intergovernmental fiscal relations have been put in place. They are, however, still fragile and will require support and *monitoring*. This means *continued support* for work with local government associations and ministries of finance.
2. Equally important, the new legal frameworks open up space for the further and in many cases likely decentralization of *social sector functions*.
3. Structural reforms that create *regional level* governments increase the role of sub-municipal community-based governments and opportunities to manage ethnic diversity.
4. The serious work now can begin (or continue) on improving local government own revenue performance, perhaps including *utility finance reform*, and municipal *borrowing*.
5. *Cooperation with the private sector* should be stressed in providing utility services, involvement in urban development, and creating new, EU-compatible mechanisms of regional development.
6. *Municipal revenue administration* capacity should be improved, parallel to modernization of financial management techniques (provision of fiscal information, budgeting/reporting, audit, openness)
7. In all countries, the understanding of intergovernmental fiscal issues remains essentially a dialogue among ministries of finance, local governments, aid programs, and the occasional NGO. It would be extremely useful to take some of this understanding into *parliament*, and to support local NGOs in bringing (particularly in the social sector) decentralization issues closer to members of Parliament.
8. There is a need to facilitate the *horizontal networking of mid-career professionals* working on decentralization issue in the region.
9. The reform process in most countries is not linear. Usually, aid programs, mid-level government officials, local government associations, and NGOs plug away at an area for a long time, developing reform strategies and then drafting legislation. Monitoring law enforcement and *regular assessment* of decentralization is highly needed. It can be done through *benchmarking* of fiscal decentralization (resources and financial management).
10. Improving policy development process and *policy design capacity* at top level remains a problem.

## Future FDI Areas of Intervention

Below are the topics that were proposed for FDI future work at the Istanbul workshop in November 2006. This is the consolidated list of areas as proposed by FDI partners and

donors. Please also see the Annex to this chapter that takes a detailed look at proposed activities.

1. **“Second generation” reforms**
  - ? Assessment, monitoring enforcement and implementation
  - ? Benchmarking fiscal decentralization
  - ? Large (capital) city reforms (Sarajevo)

*Countries: Macedonia, Bulgaria,*
2. **Public service provision, “marketization”**
  - ? Service quality, management at city level (Albania)
  - ? Decentralization of public education
  - ? Financing education
  - ? Providing services for the poor
  - ? Social service provision in rural areas
  - ? “Marketization” of service provision (LGI)
  - ? Municipal property, asset management (Serbia)
3. **Institutional development, accountability**
  - ? Local accountability mechanisms: legislation, openness (Albania, Macedonia)
  - ? Local audit (Serbia)
  - ? Fiscal information, budget reporting, treasury (Macedonia)
  - ? Fiscal distress, bankruptcy
  - ? Dialogue between levels of governments
  - ? Further development of associations (local government, professional)
  - ? Targeting MPs, parliamentary committees
4. **Human resource management**
  - ? Professional civil service
  - ? Recruitment, incentives, training (UNDP/BRC)
  - ? Capacity development for local civil servants, local elected politicians
  - ? Analytical capacity at ministries (Ministry of Finance)
5. **Taxation, own source revenues**
  - ? Development of own local revenue base
  - ? Incentives created by the IGF
  - ? Property taxes, fees, and charges (Serbia, Bulgaria)
  - ? Own revenue (property tax) administration (Serbia, Macedonia)
  - ? Taxing informal economy (LGI)
6. **Capital investment financing, planning**
  - Capital improvement planning
  - Project finance, planning programs
  - Regional development
  - Accessing EU funding, co-financing
  - Local governments on the capital market, borrowing (Albania, Bulgaria)

## ANNEX I.3 FDI IN 2007

Table A1.4 FDI Proposed New Activities According to Donors' Feedback

TOPIC	ACTIVITY	COUNTRY/ PARTNER	EXTERNAL SOURCE OF FUNDING
<b>1. Support to "Second Generation" Decentralization Reforms</b>			
<p><i>A. Assessment, monitoring, enforcement, and implementation</i></p> <p>Following the basic legislation on local governments and local finances, targets of second generation decentralization reforms are, as follows:</p> <p>? Developing new regulatory framework of devolved functions: price setting of utilities, capital investment financing, diversity of service provision (private sector, NGOs)</p> <p>? Further decentralization in human services (education, social, healthcare)</p>	<p>Comparative policy research</p> <p>Information exchange through workshops</p> <p>Technical assistance to policy development</p> <p>Targeting MPs, parliamentary committees</p>	Albania, Bulgaria, Romania, former Yugoslav republics like Macedonia and Serbia	IFIs
<p><i>B. Benchmarking</i></p> <p>? Testing the CoE benchmarks on financial resources</p> <p>? Refinement of CoE benchmarks on financial management</p> <p>? Developing in-country database of local governments on financial resources and management</p>	<p>Selecting a local partner and supervising the tests</p> <p>Technical, financial support to local government association</p>	Bulgaria  LOGIN	CoE
<p><i>C. Large (capital) city reforms</i></p> <p>Legal, financial, organizational ,and management structures of capital/large cities (<a href="http://lgi.osi.hu/documents.php?id=1413&amp;m_id=19">http://lgi.osi.hu/documents.php?id=1413&amp;m_id=19</a>)</p>	<p>Awareness raising workshops</p> <p>Executive training</p> <p>Policy advice</p>	Beograd, Sarajevo, Skopje, +	Capital cities  USAID

2. Public Service Provision and Marketization			
<p><i>A. Decentralization of public education</i></p> <p>? Institutional aspects of education are critical conditions for fiscal decentralization: regional educational authorities, policymaking capacity of Ministry of Education, teacher remuneration, capital investment financing</p> <p>? Designing education financing schemes, adjusted to municipal finances (block grants, equalization formula)</p>	<p>Case studies on early/partial results</p> <p>Awareness-raising workshops for policy makers</p> <p>Policy advice</p>	<p>Bulgaria, Romania, Serbia, Macedonia, Croatia</p>	<p>OSI ESP WB CoE (Serbia)</p>
<p><i>B. Providing services for the poor</i></p> <p>? Managing local public services in rural areas, within the large-sized municipalities, community-based management of services, typical in ex-YU (<i>mestna zajednica</i>)</p> <p>? Equal access to services (managing poverty, ethnic differences through intergovernmental fiscal relations)</p> <p>? Dealing with the problems of ability to pay in services, financed by user charges</p>	<p>Policy research followed by workshop</p> <p>Training</p> <p>Policy advice</p>	<p>Bulgaria, Bosnia and Herzegovina, Macedonia, Montenegro, and Serbia</p>	<p>Different countries by</p>
<p><i>C. "Marketization" of service provision (LGI)</i></p> <p>? Devolution of state assets</p> <p>? Changing organizational forms of service provision</p> <p>? Factors promoting economies-of-scale (administrative or market/private sector)</p> <p>? Benefits and losses of dealing with the private investors</p>	<p>Case studies</p> <p>Policy research followed by workshop</p> <p>Policy advice</p>	<p>Albania, Croatia, and Romania</p>	
3. Institutional Development and Accountability			
<p><i>A. Improving local accountability</i></p> <p>? Development of local government external and internal audit practices</p> <p>? Establishing the legal basis of transparency in public finances (access to information, budget participation, public procurement)</p> <p>? Supporting NGOs' involvement in fiscal decisions at national and local level</p>	<p>Training</p> <p>Technical assistance</p> <p>Advice on drafting legislation</p>	<p>Serbia and Bulgaria</p>	<p>USAID? OSI/NFs</p>
<p><i>B. Access to fiscal information, budget reporting</i></p> <p>? Centralized local government fiscal and service performance database</p> <p>? Information base supporting allocation of intergovernmental transfers</p> <p>? Consolidated local fiscal information (extra-budgetary funds, service organizations, loans, guarantees issued, etc.)</p>	<p>Technical assistance</p>	<p>Albania, Macedonia, Montenegro, and</p>	

4. Taxation and Own Source Revenues			
<i>A. Development of own local revenue base</i>			
? Improving the incentives created by the grant system for local own revenue raising	Training/workshop in Budapest Technical assistance to local governments	Albania, Bulgaria, Macedonia, and Serbia	USAID? Bilaterals New EU donors
? Increasing the local influencing on shared revenues			
? Future of nuisance taxes			
? Taxing the informal/black economy (LGI)			
? Local autonomy in setting user charges			
<i>B. Property taxes</i>			
? Property tax administration: information base, assessment techniques, collection practices	Workshop, case studies Policy development Technical assistance	Macedonia Serbia,	
? Social aspects of property tax design			
5. Capital Investment Financing and Planning			
? Financing capital investment: matching grants, control over extra-budgetary funds	Case studies Training/workshop in Buda Policy design Technical assistance	Albania, Bulgaria, Macedonia, Serbia	
? Facts and future of municipal borrowing			
? National bailout mechanisms			
? Private funds in urban development, regulatory environment of public-private partnerships (PPPs)			
? Access to EU funds, meeting co-financing requirements			

## L4 FDI ACTION PLAN IN SEE 2007-2008

### Preconditions

- 1) FDI is facing reduced availability of funds for the FDI program that require a new approach.
- 2) FDI needs to streamline its approach/topics with donors working in the same area—WB, WBi, ADB (Asian Development Bank), USAID, DFID, Swiss Development Agency, SIDA (Swedish International Development Cooperation Agency), etc. FDI needs a coherent strategy of how to match funds with these donors when possible and how to negotiate a topical niche as well; there is little sense in trying to develop programs alone on topics that the above donors cover—instead FDI can compliment their work with: a) regional workshops on carefully selected topics; b) exchange visits and exchange of international practices; c) research, case studies, and publications; d) carefully crafted technical assistance—with the help of the Soros foundation network, other donors and partners, and based on demand.
- 3) FDI needs to do fundraising, matching of funds, and design strategic niches.
- 4) FDI needs more staff capacity—an FDI internal committee with regional advisers maybe set up to work on all of the above.

### Rationale for Intervention

- 1) The topics proposed below were selected as priorities by FDI partners and donors working in these areas as most needed and relevant (in Istanbul, during the three-year USAID program with FDI, and in a follow-up social services advisory group meeting).
- 2) The proposed intervention will be designed to cover recurrent priority areas where FDI is strong—at a regional level and in a more systematic way, rather than just responding to technical assistance needs separately in different countries.
- 3) The regional level approach designed at LGI (with a set up advisory group) will channel LGI resources (staff, consultants, and funds) in a more efficient way.
- 4) The intervention will encourage exchanges of ideas/experiences between officials working in parallel structures across the region and: a) will expose the similarities of the problems they are dealing with; b) present international best practices; c) will stress the need to consider different aspects and stakeholders in the process and; d) will link regional priorities at policy, technical, and training levels.
- 5) A well-designed fundraising/fund-matching strategy will be needed to cover areas of planned intervention.

## New Policy Areas for Development

Though not on the official agenda at the Istanbul Workshop in November 2006, FDI's contributing donors and participants in its programs worked to design several new potential policy areas for FDI to contribute its expertise and resources. What follow are a section of short descriptions and then more detailed descriptions of what these would look like. These are not formal proposals at this time, but ideas for FDI's future sustainability.

### 1. Development of Local Government Own Local Revenue Base

- ? Property taxes, fees, and charges (Serbia, Macedonia, Bosnia and Herzegovina, Kosovo, Bulgaria)
- ? Land privatization developments and land fees—local autonomy in setting fees (Serbia, Macedonia, Bosnia and Herzegovina); rural land management
- ? Own revenue (property tax) administration and management—information base, assessment, collection practices (Serbia, Bosnia and Herzegovina, Macedonia, Bulgaria, Romania)
- ? Local government revenues and local economic development
- ? Improving the incentives created by the grant system for local own revenue raising
- ? Increasing the local influencing on shared revenues
- ? Taxing informal economy (LGI)

Activities: The activities will combine the following:

- ? Regional workshops
- ? Policy training
- ? Policy advisory support
- ? Research, publications, and dissemination

The program will need the cooperation of the donors' offices on the ground—in selecting partners and participants, to fine-tune the needs and to provide some matching funds whenever possible and needed.

Duration: 2 years

Budget: TBD

### 2. Decentralization and Financing of Rural Education

- ? Policy capacities of ministries to deal with education in rural areas
- ? Financing of rural areas education
- ? Designing education financing schemes adjusted to municipal finances—grants, equalization

- ? Equal access to education—managing ethnic issues and poverty through intergovernmental grants and transfers

Activities: Similar to the above activities will be de designed.

Duration: 2 years

Budget: TBD

### 3. Grant and Entitlement Design Workshop

A series of workshops should be designed to familiarize government officials, program officers, and domestic grant-giving organizations with the various strategies and methodologies that can be used to define eligibility requirements and means tests for different target groups. Follow up technical assistance would also be available to help particular projects or programs develop grant or entitlement criteria and the databases necessary to support and operationalize them. An ancillary objective would be to increase the knowledge of, and cooperation among, different levels of government, and different nongovernmental institutions with their respective National Statistical Offices.

Workshop topics would include such subjects as the: the nature, uses, and reliability of available data; proxy measures; measuring relative wealth, measuring relative need, sliding-scale programs; monitoring the allocation of grants to the local government sector; designing equalization grants, designing categorical grants; and designing subsidy programs for individuals, but the specific types of grants or examples used in the training would differ from one country to another depending on demand.

This project can be supported by the WB offices—in terms of collected data and research carried out. Finding could be explored as well

Duration: 2 years

Budget: TBD

### 4. Research and Policy Design Programs

*Management of Rural Lands in SEE*—research on existing models, collection of cases, and development of policies and a possible presentation at a SEE conference (see Andrew Cartright proposal)

Duration: 1 year

Budget: TBD

*Neighborhood Governments in Local Service Provisions* (See Gabor Peteri proposal)—the outputs of the planned policy development project follow the three major steps:

1. *Country studies* on the status and future of community-based governance in rural areas
2. *Policy recommendations* on establishing and managing sub-municipal government
3. *Country-focused policy development projects* on community-based organizations.

Duration: 1 year

Budget: TBD

#### **Other Possible Programs: Institutional Development or Accountability**

- ? Dialogue between levels of governments
- ? Targeting MPs, parliamentary committees

In addition, LGI is funding a program on capital city management and is beginning the CoE implementation of the benchmarking system (to measure decentralization levels) in SEE.

## **New Program Sketches**

### **Rural Education in South Eastern Europe**

#### *Sketch of a Policy Workshop and Technical Assistance Program*

Decentralization is a multi-sector undertaking that requires both political will and intragovernmental coordination. Reform agendas often are blocked because people within (and outside) a government do not share the same understanding of what decentralization means. This is particularly true with respect to the decentralization of education. Reform agendas also often are blocked because some problems are so overwhelming that they seem to make decentralization beside the point. This is particularly true of the problem of rural education, which haunts the decentralization efforts of virtually all so-called transition countries.

#### **Objective**

The objective of this mini-program is to make education decentralization more tractable by: a) directly addressing the problem of rural education, and b) by doing so in a way that brings officials from the key ministries that must be involved in any serious effort to decentralize education towards a clearer, shared understanding of the major issues involved.

### Structure

The program would have two, at least conceptually distinct phases. During the **first phase**, LGI-FDI would invite three to six people from most or all of the countries of SEE to Budapest (and/or to regional capitals) for a series of three two-day workshops on rural education and education decentralization. Ideally, these would include representatives of the ministries of education and the ministry of finance, the local government association, a think tank or research group that is bona fide in the sector and perhaps a representative of the national Soros foundations network. Trainers would be drawn from the dense LGI/OSI network of people who have worked on this issue.

During the **second phase** of the project, grant monies would be made available for research or practical endeavors proposed by groups of participants from the course. Ideally, these projects would thicken the reform environment by knitting together ministerial actors with nongovernmental organizations and by getting the national foundations more involved in an issue that has profound implications for **social cohesion, equity, and equal opportunity**. Given the expected lifecycle of the project, it must be budgeted for at least a two-year period.

### Nature of the Workshops

From the start, it must be made very clear that the workshops are not designed to sell any particular strategy of education reform or decentralization. Rather their goal is to get key actors within and across the governments and countries to recognize and understand a) similarity of the problems they are dealing with; b) international best practices; c) the necessity of taking a cross-ministerial, multi-disciplinary approach to the problem of rural education; d) the need for sustained research, planning, and monitoring efforts with and across the education and local government sectors.

### Next Steps

- a) Review of the countries and institutions that are likely to be most interested in the issue of rural education and canvas the Soros foundations network and think tanks about whether they would be interested in participating in such a program and how they think it should be structured.
- b) Assign responsibility for developing the workshops to a group of LGI/OSI-affiliated researchers and practitioners and determine the budget envelop for both phases of the project. Develop workshop agendas and training materials.
- c) Design a selection process for inviting participants.
- d) Establish a small group to develop, review, and process on a rolling basis applications for down stream grant funds.

## Grant and Entitlement Design: Means and Need Testing in Data Scarce Environments

### *Sketch of a Policy Workshop and Technical Assistance Program*

National and local governments, as well donor programs and private philanthropies, often face problems with how to efficiently allocate grant and entitlement monies. These problems, in turn, are almost always connected to questions about how to measure the relative financial means and/or needs of respective target groups, particularly in environments in which good data is scarce. In short, these problems arise for all levels of governments and indeed for any program or organization which is trying to efficiently allocate scarce resources, whether they are for equalization grants to local governments; for categorical grants to schools, hospitals, or water utilities; or housing or tuition subsidies for individuals. Moreover, the design of such programs has a profound impact on the transparency, equity, and predictability of the allocation of public funds.

#### **Objective**

The objective of this **grant and entitlement design workshop** series is to familiarize government officials, program officers, and domestic grant-giving organizations with the various strategies and methodologies that can be used to define eligibility requirements and means tests for different target groups. Follow-up technical assistance would also be available to help particular projects or programs develop grant or entitlement criteria and the databases necessary to support and operationalize them. An ancillary objective would be to increase the knowledge of, and cooperation among, different levels of government, and different nongovernmental institutions with their respective National Statistical Offices. Another objective of the project would be to provide **ministries of finance** with the tools and information necessary to monitor the total flow of sectorally-driven categorical grants to local governments.

#### **Structure**

The core of the program would be fashioned around a basic two-day workshop on grant and entitlement design that would be hosted by either an OSI-affiliated think tank or a national foundation in countries where there is interest in such a project. LGI-affiliated researchers and practitioners would design the basic modules of the workshop but these would be adapted to meet the needs or desires of the host organization and only after the participation and cooperation the concerned countries Statistical Office was secured.

Workshop topics would include such subjects as the: the nature, uses, and reliability of available data; proxy measures; measuring relative wealth, measuring relative need, sliding-scale programs; monitoring the allocation of grants to the local government sector; designing equalization grants, designing categorical grants; and designing subsidy programs for individuals, but the specific types of grants or examples used in the training would differ from one country to another depending on demand.

For example, in one country the Ministry of Energy may be looking for ways to efficiently allocate monies to local governments for the thermo-isolation of public buildings, while in another country the Ministry of the Environment might be trying to do the same for water and sewage projects. Similarly, in one country, local governments might be concerned with developing or improving the criteria they use to allocate tuition subsidies for preschool education, while elsewhere the more pressing issue concerns housing allowances. In short, depending on the host institution's assessment of local demand the workshop would be fine-tuned to ensure relevance.

### **Next Steps**

- a) Review of the countries and institutions that are likely to be most interested in the issue of **grant and entitlement design** and canvas the Soros foundations network, think tanks, national statistical offices, and ministries of finance about whether they would be interested in participating in such a program and how they think it should be structured.
- b) Assign responsibility for developing the workshops to a group of LGI/OSI-affiliated researchers and practitioners and determine the budget envelop for both phases of the project. Develop workshop agenda's and training materials
- c) Design a selection process for inviting participants.
- d) Establish a small group to develop, review, and process on a rolling basis applications for downstream grant funds to actually support worthy grant and entitlement design projects.

## **Role of Neighborhood Governments in Decentralized Service Provisions**

### *Sketch of a Policy Development Project*

Under the newly started LGI/FDI program on social services, the development of rural governments was identified as a major objective. This topic fits into the overall LGI strategy to improve public services through decentralization, to reduce poverty, and to increase accountability. Community-based, neighborhood governments are critical institutions for successful decentralization in rural-agrarian countries. FDI's proposal is about to launch a

policy development project on forms, functions, financing, operation, and management of governments at community level.

### **What is Neighborhood Government?**

Neighborhood governments are community-based, sub-municipal governments of various forms. In some of the European transition countries, they are established as mayoralties, typically where municipalities are large and local governments cover several geographical units (villages). In metropolitan local governments they bring administrative and social services closer to citizens. Typical examples are in Bulgaria the *kmetsvo*, in Poland *solectwo*, in the former Yugoslavia *mesna zajednica*, and in Kosovo *bashkësia lokale*. In Central Asia, the *mahalla* has a mixed character, being both the lowest administrative level and an autonomous social institution, built around familial ties and religious lines.

### **Functions of Neighborhood Government**

Neighborhood governments have *political, legitimacy* functions, as they are the linkages between the individual citizens and the formal, elected governments. Local governments with population of tens of thousands have to establish channels of representation at the community level, especially when political parties do not reach the constituents in remote areas. These community based self-governments could guarantee the inclusion of minorities. In extreme cases they even replace the formal institutions, for example, the parallel structures in Kosovo under the previous Serbian regime. They are often organized along religious or traditional/tribal lines. They could be also misused by oppressive central governments, like the *mahalla* committees in Uzbekistan, which are the tools of state control down to the family level.

However, neighborhood governments could also provide mechanisms of social and political **accountability**. They could ensure **participation** in local government decisions in various areas: urban planning, budgeting, housing, or the allocation of social welfare services. They are either community-based organizations or legal entities, established according to the laws on local governments. The political weight of these community-level governments very much depends on the rules of municipal elections. The balance of individual ward and political party-based election of councilors and mayors determine the significance of the neighborhoods.

For the purposes of the future LGI/FDI project, the most important function is **public service provision**. In large-sized local governments sub-municipal entities are the focal points of basic administrative services or they provide the connection to the local administration in the case of more complex issues. Neighborhood governments could guarantee the access to basic services in education, culture, or social services. In Central Asian countries the water

users associations are important self-regulatory bodies with long traditions from the pre-Soviet times.

In **community development** the neighborhood organizations are critical partners of elected local governments. Urban renewal projects, rehabilitation and housing programs, rural development, and local economic development activities are often based on the cooperation of these community-based organizations. This is the reason why community empowerment is in the focus of World Bank's poverty reductions projects.

The neighborhood governments have a say in **funding and financial management** decisions. Their primary task is to balance the power of the central villages in favor of the villages on the periphery by influencing the allocation of funds and to retain some of the local taxes or charges. They could collect the local contributions to infrastructure projects, which require co-financing from citizens.

### **Proposed Project Activities**

The main objective of the planned policy development project is to **strengthen local governments and national decentralization programs** through improved forms of neighborhood government. In the two targeted regions, in South Eastern Europe and in Central Asia, the role and future of community-based organizations will be discussed in two dimensions: (i) how they contribute to better citizen representation and to expression of the public "voice" towards elected governments and (ii) what are the effective methods at the community level in service provision and controlling local development actions.

The primary target of the planned policy development project is the **rural level** neighborhood government. The similar institutions in metropolitan governments will be discussed by a parallel LGI project on large city governance in transition countries.

### **Implementation in Three Stages**

1. **Identifying the forms and functions of neighborhood governments.** Policy studies will analyze the legal position, roles, and practices of community-based governments in selected countries. These comparative reports will follow a unified structure, which would allow a comparison of various models.
2. **Assessment of various models by regions.** Based on the country studies and a regional workshop, advantages and problems of sub-municipal government structures will be summarized. This will be the basis of formulating policy recommendations for the target regions.
3. **Policy advice and advocacy in selected countries.** Depending on the actual need in countries developing neighborhood level governments, specific policy development and advocacy will be launched in two or three countries.

The outputs of the planned policy development project follow the three major steps:

1. **Country studies** on the status and future of community based governance in rural areas
2. **Policy recommendations** on establishing and managing sub-municipal government
3. **Country-focused policy development projects** on community based organizations

## Local Authorities and Rural Land

Rural natural resources are important assets for local public services. Through ownership or control over arable land, pasture and grazing land, forests, or watercourses, local authorities may meet certain social welfare needs as well as raise revenue via fees, licenses, and taxes. Whilst there are many different legal and institutional arrangements, there are strong indications that the management of such natural resources could be an increasingly important policy issue. In many countries in South Eastern Europe and in CIS countries, rural economies are weak; small-scale agriculture is neither profitable nor attractive for young people; and many migrate out from rural areas. If elderly owners cannot transfer land via inheritance and the local rental or sale markets are weak, then there is every chance that land will be uncultivated. The more land that is abandoned, the more difficult it is to develop the rural economy and improve the quality of life for those living there.

Considering the existing and potential roles for local authorities addresses several FDI themes. The issue concerns responsiveness to local needs, the efficiency and alternative ways of providing social services, and ensuring effective forms of local accountability. Although rural land issues have had some attention from the Food and Agricultural Organization (FAO), there has been less attention to the role of local authorities. So far, initiatives such as the “pensions for land” schemes or pilot land exchange programs have been centrally led or heavily reliant on external consultants. More recently, FAO attention focused on different institutional models for managing surplus/abandoned land, but with no working models to date, nor much substantive consideration of the role local authorities might play.

The aim of this program then is to generate useful knowledge and to stimulate policy interest in the topic and the role that local authorities might play. This could be achieved through a mixture of research, training and advocacy actions. Comparative studies can evaluate the effectiveness of existing schemes, detail the alternative legal and fiscal arrangements, potential uses, and examine methods for ensuring transparency and accountability. Teaming up with public administration colleges can help to place the research in front of relevant audiences; it can also lead to shorter courses and training sessions for

central and local authorities. Effective training can facilitate exchange of knowledge and experience and well-written policy papers can encourage public debate and discussion.

On first sight, this project's connection to the Soros national foundations might not be so strong, although there could be some connections to network programs dealing with Roma conditions, with justice and transparency, possibly the information program and the economic and business development program. Local think tanks might be interested; there are some in PASOS working on related topics, for example. It also might be something that could be piggy-backed with the World Bank's rural governance programs and the Food and Agricultural Organization's land policy researchers.

Partners could be associations of small settlements, perhaps regional authorities, community development NGOs, think tanks, some network programs, and public administration colleges.

Outputs are comparative legal, institutional, and fiscal studies; best practice studies; and case studies for PA curricula reform; training for local officials; and policy papers

## I.5 THE CAUCASUS

This section of the final report is based on a regional report prepared by LGI consultant *Vera Kamenichkova* for the Istanbul workshop in November 2006. The evaluation is based on 3 national and 1 regional forums that FDI organized. This region was one of the most successful regions where FDI worked in the last 7 years. Building up on the 3 years joint UNDP/WBI/OSI program on strengthening fiscal framework in the years of 2003–2006, the activities pursued under this program made it possible to further specify the problem zones of fiscal decentralization in the respective countries and to start with the development of concrete technical assistance projects like in the case of fiscal equalization in Armenia.

### Background Information

Power in Georgia, Armenia, and Azerbaijan remains highly centralized, particularly within the office of the president. However, local government has been left with a certain degree of autonomy mainly due to poor communications, the financial weakness of the central government, and the rather low efficiency within the whole state administration.

From the administrative point of view, these countries are divided among several regions and municipalities and the capital has a special status. The self-government principle has not been in place for a long time. Moreover, the situation is complicated by the genuine lack of a self-government tradition in this region. After the regaining of independence, these countries started to build from the very beginning not only the local government system, but also to seek for more effective central government and proper relations among its branches. However, as distinct from the relatively well-established legislative basis of parliament and government, the prospect of local arrangement of the state is still rather vague in legal terms.

For the three Caucasus countries in question, which belong to the group of relatively low-income countries, the very low public expenditure share to GDP is significant—well below 20 percent. The local government expenditure share to GDP is even smaller, reaching less than one percent. The tax quota is therefore rather low and tax collection is not very effective. Moreover, intergovernmental relations are unstable. There is a certain gap between what is stated in the law and how things function in reality.

Under these circumstances, an assistance of international organizations and experts was as much needed as very difficult. Under the previous regime, local authorities functioned very differently: they were very weak and unable to gain a sufficient degree of self-reliability; tax collection was ineffective; connections among local authorities were unusual, as was cooperation. Their representatives were not strong enough to sufficiently negotiate with

central government. As a result, mainly in some large cities, local self-government has yet to be introduced. The intergovernmental system is unsettled too; it has been changing from one year to another. Overall economic and political instability has worsened the rational development of self-governing principles in these countries.

## **Impact and Sustainability**

### **FDI activities raise awareness on decentralization; bring different stakeholders together on a politically charged topic**

Before this program took place, mutual contacts among fiscal decentralization stakeholders were very rare if any. FDI, therefore, gave a great incentive for a beneficial and close cooperation of those stakeholders who deal with similar problems. Bringing together about 200 people from the Caucasus region already may be considered a very important result of this three-year program.

Many of the participants expressed in their assessments that they received an opportunity to gain new experiences through FDI activities, which help them in their workplaces. First of all, forums and workshops brought together different groups of people. Many of them have never met before. Relations between Armenian and Georgian associations were strengthened by a number of exchange visits. FDI triggered a request from an Azeri group to monitor spending at the level of the city municipality of Baku and the project was funded by LGI.

As a result of the good partnership between FDI and UNDP, FDI supported and funded the follow-up to an exchange visit of 10 Azeri central and local government officials involved in fiscal work. The tour to the Czech Republic was funded and organized by UNDP/Bratislava and FDI funded a workshop which brought to 37 Azeri officials the knowledge and information gained during the tour. The workshop was good in bringing about general awareness on the substance of decentralization in a country which is not that open on these issues – thus the impact was even more valuable.

### **Beneficiaries gain knowledge and improve their professional skills**

The FDI three-year program was a good chance to improve many participants' knowledge in fiscal decentralization issues, a significant achievement keeping in mind the lack of a tradition of self-government in this region. Different projects and modules have been replicated and

disseminated by participants, who utilized the knowledge gained in FDI workshops and training courses.

The re-evaluation of the role of local government in the life of local communities was also mentioned as an important consequence of FDI activities in the Caucasus. Some projects have been developed to address the improvement of local governments' service provision and the increase of local government accountability.

Creating the fourteen-country online regional network, LOGIN, has been a crucial result of the FDI program. Functioning in 13 languages, LOGIN gives a chance for extensive permanent information gathering and exchange, which has been broadly utilized. The LOGIN partner in Armenia was the Community Financial Officers' Association—an excellent group with a good network in the region.

#### **FDI triggered the initiation of some new government initiatives and new fiscal programs**

A National Advocacy Group was established in Azerbaijan. It lobbies for decentralization, both fiscal and administrative. Consisting of parliamentarians, NGO members, mass media, and individuals, it seeks to prepare and later implement country-specific policy proposals in the given field.

A governmental commission for decentralization and administrative territorial arrangement, established by the government of Georgia in April 2004, was transformed into the State Committee of Decentralization and Public Administration Reform on July 25 by a presidential decree. Chaired by the president, it includes representatives of the Parliament and central government. This committee accepted several background papers and recommendations elaborated by the FDI forum as policy alternatives.

As a result of the year-long FDI technical support for a new setup of the intergovernmental fiscal relations in Armenia and more specifically, the creation of a new law on equalization grants to local governments, FDI developed a more comprehensive program for a 2-year assistance on fiscal reforms in Armenia – to cover issues such as local governments taxation, the Yerevan city law regulating fiscal and management relations with the central level and a law on inter-municipal cooperation. The program will be operational in June 2007.

At the request of an FDI partner from a Georgian Association of Municipalities and a Georgian NGO, FDI carried out a needs assessment mission on the topic of financing education and opened up initial talks with the Ministry of Education. FDI will support the work on the per capita financing together with the WB with who we are currently negotiating.

**Comparative experiences and practices from Central Europe broaden views on decentralization and provide access to a number of alternative solutions**

Last but not least, the presentations and opinions of a number of experts from Central Europe, the Baltic states, and other countries were considered to be useful as some issues might be solved in a similar way. Moreover, learning what was successfully implemented or avoided due to bad results somewhere else is always useful and might help to avoid some mistakes. Participants in the different projects within the FDI program took home lessons from the experiences from other countries, which added to their better understanding of the situation at home.

Participants highly evaluated the professional approach of OSI specialists and experienced guests; a friendly environment also contributed to better understanding of the main issues of fiscal decentralization. Agendas and programs always were prepared with great care. They included also social activities, what brought participants more closely together and enables very useful international contacts for future cooperation.

## Future FDI Areas of Intervention in the Caucasus

Proposed by *Vera Kamenickova*

- ? Introduce territorial reform, aiming first of all at the reduction of the number of municipalities; small municipalities are unable to keep up in the decentralization process.
- ? Strengthen financial position of local government predominantly on the basis of stable and predictable local government tax revenues.
- ? Improve legal aspects of local tax collection in order to make it more efficient (including property tax reform).
- ? Agree on transparent formulas for state grants based on defined rules in order to avoid their *ad hoc* distribution and individual bargaining (*ad hoc* decisions usually involve arbitrary, subjective, nontransparent, and uncertain allocation of sources).
- ? Adjust vertical relations among different levels of the governmental system so that it excludes parallel decision-making by local branches of state administration and local government.
- ? Improve intergovernmental fiscal relations so that they are based on equity, neutrality (no loopholes to manipulate decisions), predictability, and simplicity and provide incentives for sound fiscal management; reformulate tax-sharing so that it can ensure a just, stable, and unbiased share of tax revenues for each government level.
- ? Great differences in economic level and tax capacity among regions and municipalities raise the call for a proper fiscal equalization scheme.
- ? Budgetary rules based on best practices bring into the system transparency, proper monitoring, and auditing procedures, control functions, long-term planning, unified revenue and expenditure budgetary classification.
- ? Improve local services provision (how to finance and organize the most important public services at local level).
- ? Introduce rules for debt financing in order to guarantee prudent local borrowing—advantages and disadvantages when using debt instrument at local level.
- ? Gather international assistance when preparing an annual report on the situation of local self-government system that could be a basis for a national strategic plan for the central government, a strategy, how to further proceed in fiscal decentralization.
- ? Assemble a guide for local government officials who have up to now only limited knowledge in a number of for them important areas such as planning, efficient tax collection, local property management, efficient public service delivery, legal framework, etc.
- ? Local government financial and other data collection should be improved in order to gain more information about their functioning, to better assess positive and negative aspect of their development, and to learn best practices.
- ? Establish the minimum national standards for local service provision;

## In Armenia

Recommended by *David Tumanyan* (Community Finance Officers Association, Armenia) and *Galina Kurtyandskaya*, (Center for Fiscal Policies, Russia)

- ? Preparation of annual reports on the situation of local self-government system in Armenia (legal, financial, service delivery, etc.) and preparation of the policy recommendations, their publication and dissemination, as well as presentation at the national conferences. The main beneficiaries will be parliament, central government, local governments, and local governments associations.
- ? Municipal councils are very weak in Armenia. Candidates for councilors usually do not know what will be their role as a local policymaker. It would be very useful to publish a "local elected official's guide" on different areas of local self-government like planning, budgeting, auditing, etc.
- ? Assistance in legislative approval of the transfer formula and in making it work.
- ? Technical assistance will be in development of proper reporting and monitoring systems by local governments.
- ? Data generation and collection.
- ? Shifting technical assistance in public finance management to municipal level.

## In Azerbaijan

Recommended by new consultants to FDI's activity in Azerbaijan, *Gubad Bayramov* (Economic Research Center), *Fuad Jafarli* (Urban Development Studies Public Association), and *Akif Kerimov* (Municipality of the City of Sumgait)

- ? Training government officials of relevant areas before introducing further details of FDI into the country legislation to avoid side-effects of decentralization, such as corruption or over-decentralization.
- ? Exchange programs, such as twin-town or twin-municipality projects can be launched enabling local municipal officials to gain firsthand experience.
- ? Specific important topics for future activities in Azerbaijan include local government borrowing; financing of public services; housing finance; financing of education; reforming of property taxation (this point is important for Azerbaijan because the central government is preparing reforms in property taxation).
- ? Improvement of the collaboration between local government and society; solutions of conflict situations; methods and forms of the organization of community services; criteria of evaluation of local government; methods and forms of collaboration of local government with NGOs, donors, international financial and local municipality institutions; strategic planning of the activity of local government;

## I.6 CENTRAL ASIA

### Governance and Decentralization in Central Asia

#### BACKGROUND

The development of more democratic and decentralized systems in Central Asia has lagged behind other regions, particularly the Central European and Baltic countries that were motivated by accession to the European Union, and as well to some extent the South Eastern Europe countries, such as Romania, Bulgaria, Albania, and Macedonia. While it is difficult to make comparisons across the regions, it seems that Central Asia is lagging behind even the Caucasus region, given some recent developments in Georgia, Armenia, and Azerbaijan to improve the local government system.

Two major points need to be made with respect to the legal frameworks for the development of local government systems in Central Asian countries. First, much of the existing legal frameworks are derived from the old Soviet model. This model has been reinforced by the laws that were enacted in the early 1990s, with the possible exception of Kyrgyzstan. Even though Kyrgyzstan has enacted a broad range of decentralization laws, these have largely not been implemented and recent developments in Kyrgyzstan seem to further delay any meaningful reform or change to the local government system.

The second major feature is that the system of presidential authority reaching to the local level through the appointment of the local *Akims* or other authority has prevented the development of locally elected councils achieving any substantial level of authority. Until this presidential system can be changed there is little possibility that local councils will have the authority or influence to be representative of the wishes of the local population.

FDI's assistance was mainly targeted to Kyrgyzstan where some decentralization efforts were made and a more complete set of laws dealing with local government and decentralization were developed. This begins with a National Strategy on Decentralization of the State Authorities and Development of Local Governance through 2010 that was approved in 2002. There are additional laws such as: (1) Local Self-Governance and Local State Administration, (2) Financial and Economic Basis of Local Self-Governance, (3) Basic Principles of Budget Law in the Kyrgyz Republic, (4) Public Ownership of Property, and a tax code. These sets of laws provide the basic organizational and financial structures for what could be considered a decentralized system of government in Kyrgyzstan. However, as is the case with other countries of the region, there is a lack of regulations and implementation to

accompany these laws by the administrative structures. The failure to deal with several issues has limited the possibility to fully implement these laws in a practical and effective manner.

### **ACTIVITIES AND IMPACT**

The issue of the assignment of functions or competencies to the local government units is considered the starting point for developing a decentralized system of government and was the focus of FDI policy forum, held in June 2006 titled **Delegated and Own Local Self-Government (LSG) Functions in the Kyrgyz Republic—Legal, Administrative, and Fiscal Aspects and Impact on Intergovernmental Transfers**. The conference brought to the attention of key policymakers in Kyrgyzstan who deal with these issues the experiences from other countries, particularly from EU accession countries and other CIS (Commonwealth of Independent States) countries that have made progress in developing the functional assignments.

The forum also covered the issues of **financial resources available to local governments** which are still controlled by the central levels through transfers and budgetary borrowing. While there are numerous local taxes and fees, these generally do not provide any sufficient level of revenue or financial independence for the local units. The use of shared taxes is widespread, but the yearly changes in the percentage of shared taxes create an unstable situation for the local governments to plan their budget resources. Policy recommendations and foreign experience was provided to all relevant stakeholders on the above issues.

The issue of intergovernmental transfer was another central topic at the Forum as it relates to how LGs can get additional revenues to cover services. FDI cooperated with the WB on this issue and invited to the Forum a consultant who worked with the Ministry of Finance on the equalization formula. Intergovernmental transfers serve the purpose of budget balancing of the local units without any real regard for equalization across these units. FDI experts provided recommendations on how on the need to provide direct transfers to the local units rather than the cascading of the transfers through the intermediate tier, which only further serves to distort the allocations and equalizations. While Kyrgyzstan has undertaken to reform its transfer system and new formula has been proposed for 2007, this has yet to be formally adopted and put into effect. The equalization capacity of this formula is yet to be demonstrated and the direct allocation of funds to the municipal and village level has not been fully developed.

The topic and the specific issues of the conference were coordinated with the USAID Local Government Project, Phase Two. FDI together with the USAID project has carefully selected topics and key stakeholders to participate in the discussions – the Ministry of Finance, the

Agency for Regional Development, officials from the President's and the Prime Minister's office and all key donors. This arrangement allowed all the recommendations and the foreign experience to reach the right audience.

At the advice of the USAID project and in cooperation with the Tajik Local Government Association Vatanam, FDI brought three Tajik participants from the Ministry of Finance.

As a follow-up to the conference, FDI proposed to organize a study tour for the Kyrgyz Ministry of Finance. This will be most likely followed up with UNDP in Bratislava in 2007. In addition, FDI and the Soros Foundation have started a follow-up project on policy issues for the Ministry of Finance where a general policy process training will take place followed up by custom-tailored fiscal policy issues.

**The Kyrgyz Association of Cities** was created in late 2000 with the support of the USAID Local Government program. This is a more well developed and financed association through its membership of the 26 cities and dues from these members. It has as its mission the development of a decentralized system of local government and is very active in developing and promoting the drafting of new laws on local self-government and the reform of the intergovernmental transfer system to a more equitable and formula based method. It has produced a number of analytical reports and held conferences to promote its positions. The Association was the host of the FDI policy forum in Kyrgyzstan and is LOGIN's Kyrgyz partner. As a follow-up, FDI worked with a Polish project that brought together the officials from the association and some local government representatives to Poland for a study tour.

**An Association of Small Cities of Tajikistan** has been created with some international donor support from the Local Government and Public Service Reform Initiative of the Open Society Institute from 2004 to present. There are 27 members from both small cities as well as the *jamoat* (regional) level. The Association has its own website and seems to be active in promoting the development of investment and infrastructure among its small cities membership. It hosted a donor conference and project fair in April 2006 to promote its "Social and Economic Development Strategy of Small Cities in Tajikistan." It has also had cooperation with the Association of Cities of the Kyrgyz Republic in creating a Central Asia Municipal Association and made contacts with several local government and international organizations with interests in promoting local government development. That Association has been supported indirectly by being invited to FDI events in Kyrgyzstan and by some LGI capacity-building efforts in Tajikistan. Currently, FDI has been again requested to support a study tour to Poland for the Vatanam officials and local government representatives. This is under negotiations.

## **Future FDI Areas of Intervention in Central Asia**

### **Support for Policy Analysis in Local Government Decentralization**

Despite the level of attention that has been given to the Central Asia countries by the international donor community there is still a need to increase the **policy analysis capacity of the government ministries and local government associations to develop and formulate policy options** based on sound policy research methods to promote decentralization laws and practices. This is still a very weak capacity area within the main actors, particularly within the relevant ministries and local government associations, toward promoting decentralized systems in the target countries.

The development of more sound policy analysis option papers dealing with **administrative-territorial division, size of local units, functional assignments, revenue sources, and formula based transfer systems** could be greatly enhanced by more opportunities for one-to-one exchanges from the staffs of these organizations that can spend several weeks with their counterparts in the ministries or local government associations in countries that have developed the legal frameworks and intergovernmental transfer systems that support greater capacity of the local governments.

**Exchanges lasting for two to four weeks** in which there is daily interaction with the staff of the host ministry or local government association will provide the opportunity to get a better familiarity with how these organizations function as well as how policy decisions are made within these organizations. This interaction could be continued following the exchange with contacts through **internet exchange of papers and reports that would deepen the relationship.**

### **Support for Local Government Professional Associations**

In addition to the support for the local government associations that represent the local government units, there is also a need to **support the creation of associations of local government professionals, such as for finance and budget, urban planning and development**, which would overcome some of the political considerations that go along with the membership associated with the traditional local government associations. There has been successful creation of local government professional associations, such as finance officers, notaries (lawyers), among other professionals, in some Central and South Eastern European countries, such as Romania, Macedonia, and Hungary. These can be effective organizations to support some of the changes that encourage greater local government development and can be

seen as more politically neutral in representing these interests. These associations may have great potential for developing professional exchanges within the Central Asian region on policy and professional development issues.

## L7 FDI ACTION PLAN IN CENTRAL ASIA AND THE CAUCASUS 2007–08

### Background

The program described below as the FDI intervention for Central Asia and the Caucasus is based on a proposal to FDI for cooperation by a Turkish research institute TEPAV (affiliated with the private TOBB University and a major partner of the WBi office in Turkey). TEPAV was invited to the FDI evaluation workshop in Istanbul where talks were held between *Emin Dedeoglu* (the head of TEPAV), *Migara de Silva* of the WBi, *Adrian Ionescu*, LGI/OSI Director, and *Irina Faion*, FDI Manager. Subsequently, the regional director of the WBi in Istanbul, *Lystra Antoine* was also involved in the talks. TEPAV is a recently established, nonprofit think tank that houses and the largest nongovernmental economic research center in Turkey. TEPAV itself is located on the campus of TOBB University of Economics and Technology in Ankara.

LGI and WBi visited TOBB University and met with teaching staff and toured the facilities. Established in 2003, TOBB Economics and Technology University is a foundation-owned private university. TOBB, the Union of Chambers and Commodity Exchanges of Turkey, is the main sponsor of the university—it represents 362 chambers and commodity exchanges across Turkey with 1.2 million members. Three of the six departments of the university were ranked in the first five top universities in Turkey. The university campus has state-of-the-art facilities with wireless Internet access all over the campus and despite being new, it has a variety of faculties including programs in public administration, management, policy and international relations, and business. The programs are all college level so far but a new MA program has been developed as well. Short executive courses are taught for Turkish civil servants in the areas of finance, economics, and public administration, management and government policies.

### Rationale

The need for training sub-national and local levels in budgeting, tax policy, revenue management and expenditure reviews, performance management, audit, controls and social service delivery (management and financing) in Central Asia and the Caucasus remains quite acute and based on the WBi, UNDP and LGI assessments is a niche where donors could cooperate to set up more intense and custom tailored capacity building programs.

## Advantages

- a) Availability of good professional training staff from the TOBB University, and the possibility on behalf of WBi and LGI/CEU to complement trainings with comparative Central European and best international practices training materials and professional trainers.
- b) A combination of transition experiences from Turkey and Central Europe that could make the changes and alternatives available to Central Asia and the Caucasus more understandable.
- c) Availability of teaching recourses—books, access to research and libraries, case work.
- d) Bringing and mixing together people from a number of countries in a neutral facility where more or less similar transition issues persist will allow for an exchange of practices and ideas between similar levels of civil servants; this may encourage developing new contacts and projects as well as allow for peer-to-peer reviews and empowerment.
- e) A well-designed, modular, capacity-building curricula will address a variety of needs and different levels of sophistication of skills
- f) WBi/FDI/TEPAV-TOBB will set up joint selection committee and design selection criteria for admission as well as criteria for graduation—this will increase the likelihood of selecting the right people; cooperation with FDI's ground office should be secured in that.
- g) Last but not least, TOBB University has excellent facilities including conference rooms, computing, and libraries.
- h) Seeking funding beyond LGI resources will be the next stage of development—but there is a great interest displayed already at the talks with the Asian Development Bank (ADB)/CAREC in Almaty and also there might be some support by the regional office of the Dutch Development Office. The TIKA interest has also been explored but further talks might be needed between the WBi and TIKA.

## FDI/LGI, WBi, and TEPAV/TOBB University

- ? WBi and LGI provide feedback and needs assessment of the needs for such capacity building based on their networks on the ground.
- ? TEPAV/TOBB develops a training curriculum for short-term courses and workshops for civil servants from Central Asia and the Caucasus (some initial curricular has already been developed).
- ? As the needs are very different in most of the target countries, the trainings can consist of a variety of modules on specific issues but with a basic general course to cover key issues in budgeting, taxation, financial planning, audit, performance management, service delivery and financing, and intergovernmental finances.
- ? FDI/LGI, WBi, and TEPAV/TOBB will develop a proposal on the trainings to be submitted to donors for matching funds.

- ? Some preliminary talks were held with TIKA and ADB/CAREC in Kazakhstan—there are good chances to secure some funding with the ADB.
- ? LGI and the WBi will develop a Memorandum of Understanding for the joint work.
- ? Ministry of Finance representatives will be invited to sign some form of cooperation agreement before the start of the program so that FDI has a commitment from them for participation.
- ? The target group will be civil servants from line ministries, regions, and local self-governments.
- ? The workshops will be a combination of case studies, sharing of experiences, and international practice and trainings.
- ? A committee needs to be set up between FDI, WBi, and TEPAV for the selection of trainees.
- ? Teaching staff will come from LGI, CEU, and the WBi—a selection of trainers will need to follow.

## Preliminary Mapping of Needs in Central Asia

### Kyrgyzstan

LGI staff met with many donors and a few key ministries in Bishkek. The main problems now with the government and local government issues are as follows:

- ? Many good professionals have left the government after the recent changes and as a result there is no continuity in governance policies and lack of good professional and staff resources in general;
- ? The policy-level work in the government sector is still at a rudimentary stage—most of the ministries are involved in operational everyday work that is driven by endless regulations and laws;
- ? In the area of decentralization—the government is still pondering on the issue of the number of levels of governance (four, three, or two) and hence the budget cannot be adopted and fiscal transfers are stalled;
- ? In addition, some new changes in government might be expected in the spring.

In terms of training capacities and facilities in the country, the picture is varied and inconsistent. The OSCE is working currently with the government training academy and is trying to reform the old-fashioned style of teaching. The American University also contributes

some staff to teaching courses there. Still, at the moment the academy is not considered to be a front-runner in capacity building. The courses taught there relate to more general public administration programs and are not focused on policy development of finance, budgeting, and economic analysis.

The University of Central Asia (UCA) is planning to start policy certificate courses in late 2007 for civil servants and a good cooperation might be established with them. In general, as was discussed, the policy education will cover the basics of the policy cycle for government officials, but so far no specific plans on finance have been made. The UCA is supported financially by the Aga Khan Foundation—and most likely some joint funding might also be negotiated with them for capacity building in Turkey.

The Swiss Development Agency together with the WB and DFID has carried out an assessment of the needs of assistance and training in the finance and local government areas—that assessment can be used for the needs assessment of the proposed Turkey-based trainings. LGI met with the Japanese Embassy representative who briefed us on the training possibilities for civil servants at longer-term courses in Japan and the procedures involved as well. Since these will be long-term commitments, they will not address the more urgent need to fill in the needed financial, management and policy gaps in the government at the current moment. FDI also met with the Kyrgyz office of ADB—they showed a lot of willingness to cooperate with us on the proposed training.

In terms of training needs for the Kyrgyz civil servants from the central level as well as the local and *rayon* levels all basic topics proposed for the trainings will most likely be very useful. The specifics there relate to the following:

- 1) More expertise is needed on decision-making about division of responsibilities and hence budgeting for each level of governance;
- 2) Intergovernmental transfers and equalization formulas;
- 3) Property taxation;
- 4) Management of municipal property.

Judging by all the talks and meetings, the idea of setting up an out-of-the-country training facility was accepted well, but questions were asked on the possibility to transfer such a training option to the region. Additional effort needs to be

#### **Kazakhstan**

LGI met with the WB, UNDP, OSCE, ADB/CAREC, and the Dutch Embassy. The WB office claimed that central level and regional governments need more sophisticated knowledge in finance—performance and participatory budgeting, management of public-private

partnerships, contracting and outsourcing to businesses, procurement procedures and compliance, etc. The WB can be a very good partner when it comes to finalizing needs and training curricula and they are willing to help with this.

The training environment in Kazakhstan provides some competitive advantages to a possible training in Turkey: there is the state-run civil servants academy called KIMEP and a fairly new UNDP/Dutch civil service training school in Astana. A careful study to assess these options and curricula before committing to designing the TOBB-based courses is needed. KIMEP is apparently well respected and the government can afford to invest money to bring in good trainers from abroad. The Training School in Astana is also well established but more research is needed to see what types of courses are taught there. It is FDI's understanding that UNDP and the Dutch Embassy fund the lecturers who come to train there from abroad.

The meeting with ADB/CAREC was very informative and encouraging. The CAREC office is based in Almaty and covers the five Central Asian countries and also Afghanistan, Iran, and Azerbaijan (there might be others that I miss). CAREC is willing to cooperate with us on policy trainings (with PASOS and the UCA), and on the finance and budgeting trainings in Turkey. They are also setting a training facility themselves that will train people from the region but this is a rather long-distance training scheme. The head of CAREC was very open for supporting the finance-oriented trainings and he mentioned openly that the Chinese government has allocated funds to them for training for Central Asia. The Chinese are also quite interested in cooperating or channeling assistance through Turkey. The final agreement was that LGI will come back with a proposal to CAREC once FDI is ready and that they will give comments and advice and FDI can negotiate at that time on the funds.

The Dutch Embassy was also very cooperative and encouraging future joint work. They are mostly interested in policy issues, human rights and media, and access to information work as well as in policy trainings.

### **Tajikistan**

Tajikistan is the country where most capacity building efforts need to be concentrated. Generally, the government structures are ruled in a post-Soviet type of manner with regulations and rules developed for every occasion, whereas all important decisions are made by the president and channeled down to ministries by decrees.

The closest institution to civil servant training is the government Training Academy that trains both line ministries and sub-national levels of government. However, the training resources are outdated and the training staff needs a considerable brush-up to say the least. A very intense capacity-building program needs to be set up most likely for young graduates who will be somehow guaranteed a position in the government provided that they can

complete the courses successfully. Training of Trainer seminars will definitely be needed with a large number of trainees involved to cover the basic needs.

Both LGI and the WBi have partnered with that Academy and FDI can have the facilitation of their staff to help select people and somehow institutionalize the trainings later. The Aga Khan foundation is also active there and through the UCA plans for a campus in Tajikistan—LGI/FDI can certainly continue the talks and negotiations on trainings and hosting these at a later stage at the UCA in Tajikistan.

Generally all the basic courses on finance, governance, management, etc., will be very much needed in the Tajikistan government and local government contexts.

### **Uzbekistan**

LGI has no offices here, but through the regional offices of WB and the ADB, FDI could possibly involve some people in the trainings.

## **FDI in the Caucasus in 2007–2008**

FDI will be involved in the Caucasus through the proposed above training scheme in Turkey. A more detailed needs assessment on training in finance needs is needed at the moment. From the past experience, the following topics could be covered in a more systematic way: intergovernmental transfers, grants for services, financing of education and healthcare, and social welfare, budget planning and revenue management, taxation—property tax, shared taxes, local fees, and charges; tax administration, delineation of functions between *rayon* and local self-governments. A mission to the region needs to be set up for assessing the training facilities on the ground.

In addition, in Armenia, FDI will complete the equalization grant project started in 2006 and will attempt to draft a Law on Equalization in the next few months, and then present that to the Ministry of Finance in Armenia. The project to complete that work has been submitted to the LGI Steering Committee for at its March session.

Another FDI sector proposal will also be supported in Georgia—financing education and work on financial policies with the Ministry of Finance and the Ministry of Education. This work will fit well into the public sector services work FDI has been involved in mainly in the Balkans so far. It is even more encouraging to see that the request for assistance from Georgia was coming with the expressed support from the two ministries.

## II. SPECIFIC IMPACT OF THE FISCAL DECENTRALIZATION INITIATIVE

## A. POLICY DESIGN AND CAPACITY DEVELOPMENT

### 1. Planning Workshop

#### Planned activity

FDI proposed to hold a one-day **planning workshop** event with two plenary sessions and three working groups. The plenary session was supposed to provide an overall introduction to the mission of FDI as well as highlight past experiences and achievements and point to the needs assessed through past activities in the area of intergovernmental fiscal relations. The opening plenary sessions were about to cover existing initiatives managed either directly by OSI or other FDI partners. Each of the working groups covered one regional area where OSI intended to operate through the FDI program. There was one working group for SEE, one for the Caucasus, and one for Central Asia. Experts and OSI staff working in the regions in the area of intergovernmental fiscal relations chaired each working group.

#### Implemented activity

The FDI Planning Workshop took place in Budapest (Hungary) on November 13, 2003, with 47 participants representing OSI and USAID offices/implementing agencies. It was organized as a dynamic event, which gave participants an opportunity to make suggestions for modification of the original proposal in a way that would most effectively complement existing activities of OSI and USAID in SEE, the Caucasus, and Central Asia. *Pawel Swianiewicz* for Caucasus, *Rafal Stanek* for Central Asia, and *Gabor Peteri* for SEE prepared the activity proposal that contained very specific suggestions thematically for further implementation.

#### Impact

The event was a success, with many participants indicating that it was their first opportunity to meet colleagues from various countries working often on similar programs. Many participants, especially those from SEE, stressed that there is a high value added in what FDI, as a regional program stimulating exchange of experience, can offer. Based on the input—quite specific and in fact going beyond the scope of the original proposal both in terms of the activity focus and in terms of financial resources—OSI/LGI prepared a detailed working plan and

implementation schedule, and disseminated both to OSI/USAID offices/implementing agencies. The work plan indicates specific topics to be addressed by FDI over the period of the project in SEE, the Caucasus, and Central Asia. In comparison to the original proposal, the work plan foresees four regional events in SEE, three in-country forums, and one regional event in the Caucasus, three bilateral conferences, and one regional event in Central Asia. The work plan also foresees shift from originally proposed training of trainers (ToT) programs to different training programs.

## 2. National and Regional Workshops

### South Eastern Europe

#### Planned activities

Based on the input from USAID and OSI, FDI proposed to deliver **three policy development forums** organized on a regional level and attended by participants from five countries each. FDI proposed to organize these forums in cooperation with lead local partner organizations operating in one of the SEE countries, selected on the grounds of recommendations from OSI and USAID and through a competitive tender. FDI planned to invite speakers and facilitators from CEE and other relevant countries. Although specific agendas were to be determined through technical assistance programs and in cooperation with local partners FDI proposed to focus on the following lead topics (participating countries indicated in parenthesis):

- ? **Intermediary level of government** (Albania, Bulgaria, Croatia, Romania, Serbia)
- ? **Equalization and incentives in transfer system** (Albania, Macedonia, Moldova, Montenegro, Serbia)
- ? **Property taxation** (Bosnia-Herzegovina, Croatia, Macedonia, Montenegro, Serbia)

FDI proposed to commission background position papers prior to the forums. Following the discussion at the forum, FDI planned to assist with development of background studies into a set of policy papers, which is to be published, presented to the relevant governmental bodies and disseminated.

#### Implemented activities:

##### 1. **Regional Forum on Property Taxation in SEE**

In partnership with Development Alternatives (DAI) in Macedonia the two-day event took place in Skopje (Macedonia) on May 27-28, 2004, with the participation of 59 national and sub national decision-makers, local government officials, local government association representatives, local and international experts on public finance, and property taxation collectors from Bosnia Herzegovina, Croatia, Kosovo, Macedonia, Montenegro, Serbia, and Slovenia. The forum covered issues such as the composition and format of property registries (fiscal cadastres), tax exemptions, property assessment, assessment complaints/appeals,

assessment audit and quality control, tax rates, tax calculation, tax billing, collection, accounting, and enforcement. The forum was co-funded by DAI Macedonia. OSI/LGI commissioned five background policy papers from Slovenia, Croatia, Montenegro, Macedonia, and Serbia out of which all five were published on CD and electronically on LGI's website.

## **2. Regional Forum on Fiscal Equalization in SEE**

In partnership with Development Alternatives (DAI) Serbia, the two-day event took place in Belgrade (Serbia) on November 19-20, 2004, with the participation of 63 national and sub-national decision-makers, local government officials, local government association representatives, local and international experts on public finance and on intergovernmental fiscal relations with particular emphasis on fiscal equalization from Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Moldova, Montenegro, Serbia, and Slovenia. The forum assessed strengths and weaknesses of existing equalization systems of the nine countries and discussed options for reform of financing local government services. The forum was co-funded by DAI Serbia. OSI/LGI commissioned eight background policy papers from Albania, Bosnia Herzegovina, Bulgaria, Croatia, Macedonia, Moldova, Serbia, and Slovenia out of which eight papers were published on CD and electronically on LGI's website.

## **3. Regional Forum on Regional Financing in SEE**

In partnership with the Bratislava based UNDP Regional Support Center, the two-day event took place in Tirana (Albania) on December 1-2, 2005, with the participation of 57 national and sub-national decision makers, local government officials, local government association representatives, local and international experts on public finance and on intergovernmental fiscal relations with particular emphasis on intermediary level of government financing from Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Moldova, Romania, Serbia, and the EU-8. The forum focused on three broad areas of financing intermediary level of governments: on the financing regionalization and regional development, on reform of public administration at the regional level and on intergovernmental roles and responsibilities for regional development. The forum was co-financed by UNDP RSC Bratislava. OSI/LGI commissioned 10 background policy papers from Albania, Bosnia Herzegovina, Bulgaria, Croatia, Macedonia, Moldova, Romania, Serbia, Canada and Switzerland out of which seven were published electronically on LGI's website.

## Impact

### 1. **Regional Forum on Property Taxation in SEE**

The forum was a success, allowing many of the participants to exchange views with their former Yugoslav colleagues for the first time since the break up of Yugoslavia. As a follow-up, the Slovenian and Macedonian ministries of finance have agreed and jointly funded a study tour of a group of Macedonian finance ministry officials to Slovenia to get a deeper understanding of the Slovene experience in introduction of a comprehensive property tax system. Conference proceedings containing background policy papers and suggestions for reforms in the five countries was published on a CD along with the other two SEE national forum proceedings.

### 2. **Regional Forum on Fiscal Equalization in SEE**

As a follow-up, upon their return the representatives of the Moldovan Ministry of Finance requested technical assistance from OSI/LGI in reform of the current intergovernmental transfer system in Moldova that OSI/LGI conducted within this FDI program. Further detail of the technical assistance project is under the relevant section of this report.

### 3. **Regional Forum on Regional Financing in SEE**

The local government finance systems of the SEE countries share a similar administrative and legislative history, and face a common set of reform challenges. At the same time, the developmental trajectories of these systems have begun to diverge as countries deal with reform challenges in different ways. The forum therefore gave a good opportunity to discuss the financing of intermediary level of governments in all SEE countries and also to look at regional finances in the light of EU structural funds in both Bulgaria and Romania.

The conference was not followed up by any technical assistance project as the issues discussed were too different in each of the countries and we needed more research and negotiations to focus the program better. The main impact came through publishing the 7 policy papers presented at the conference. The publication is called **Challenges of Regional Development in Southeast Europe/Strategies for Financing and Service Delivery** and can be found at - (available at [http://lgi.osi.hu/publications\\_datasheet.php?id=368](http://lgi.osi.hu/publications_datasheet.php?id=368)). Based on the number of hits for just two weeks – which is 94, we can judge that there is a lot of interest on this topic.

## Central Asia

### Planned activities

As described in the approved work plan for activities in 2005–2006 and the approved request for no-cost extension of the cooperative agreement, the political situation in Central Asia has changed significantly and remains fluid. For this reason FDI has not delivered any activities in this area so far. LGI has consulted with local USAID implementing agencies in Central Asia and FDI has reviewed its initial assumption that three regional and/or national forums would be delivered. Instead, FDI planned to deliver two larger national forums with a budget originally planned for the three activities. FDI organized one national forum in Kyrgyzstan on **delegated and own local government functions** and started planning and preparing for the second forum in Tajikistan on **financing education**. The preparation for the second forum started in the time period of the project but its actual delivery was postponed and the reasons for this are explained below.

### Implemented activity

#### **1. National Forum on Delegated and Own Local Self Government Functions in the Republic of Kyrgyzstan**

OSI/LGI delivered an FDI national forum in Kyrgyzstan on delegated and own local self-government (LSG) functions in Kyrgyzstan on June 29-30, 2006, in Bishkek (Kyrgyzstan). The FDI partner in Kyrgyzstan was the Association of Towns—but the USAID local government project was also very supportive in the overall process. FDI has defined in close consultation with that project the details of the topic and the agenda. The USAID project co-funded the attendance of Tajik government officials from the Ministry of Finance to attend the event. UNDP was also supportive and contributed with ideas for the event, and follow-up plans.

The two-day, high-level forum served a great deal of opportunity to share legal, administrative and fiscal aspects and impact on intergovernmental transfers. The forum was attended by national and sub-national government officials, policy practitioners, local government experts, local government association members, and municipality representatives of all over the country. OSI/LGI commissioned background papers from local experts and brought in international experts from Poland, Hungary, Georgia, the Czech Republic, and Moldova to teach about the different mechanisms of delegated and own local government

functions in other transitional countries. The meeting brought around all the major representatives from the Ministry of Finance, the Agency for Regional Development, Ministry of Economy, the President's and the Prime Minister's Offices as well as many donors and NGOs. Thanks also to the support of the Soros Foundation–Kazakhstan, the Forum turned into an event where NGOs, government, and donors tried to reach consensus on reforms in the areas of local government autonomy and revenues.

The forum proceedings were published in Kyrgyzstan in Russian and widely disseminated by the local organizer of the forum, the Association of Cities of the Kyrgyz Republic. The papers of the international participants have been put together by FDI as well and will soon be released.

## **2. Financing Public Education in Tajikistan**

The second policy development forum in Central Asia was planned to be delivered in November in Tajikistan on the subject of financing public education in Tajikistan. FDI's original goal was to help the WB (they are coordinating but the funding comes from USAID, AHF, OSI, and the ADB) and better multiply the process at the national level of per capita financing in Tajikistan as well as provide some equalization supplementary models for per capita funding. For that purpose, FDI commissioned a white paper with recommendations prepared by a well-known Russian education financing expert from the Center for Fiscal Policies and shared the findings with the local stakeholders. The paper was reviewed by a Hungarian and a Polish education expert and extensive comments were provided—as a result the paper was reviewed and a new version was delivered to LGI/FDI.

Negotiations took place between the main stakeholders of the forum throughout the year; however, the current policy development plans on the pilot project financed by USAID Tajikistan differ somewhat from the findings of the white paper. So in agreement with USAID, OSI/LGI put the implementation of the project aside. Preparations were done but the forum did not take place with the approval of the CTO/USAID. Currently, OSI/LGI is trying to amend the project from the policy development focus to capacity development in the area of education financing with the involvement of the Ministry of Finance and the local governments.

In January, the Ministry of Education underwent many changes and a new minister was appointed. Since then, LGI/FDI is waiting for its local partners—ERSU/PULSE and the Open Society Institute Assistance Foundation–Tajikistan negotiate the conditions of the Forum and to give FDI a green light on the possibility to deliver the forum. The tentative plan afterwards is that FDI continue the support through policy advisory services to the Ministry of Education.

## Impact

### **1. National Forum on Delegated and Own Local Self Government Functions in the Republic of Kyrgyzstan**

A very direct outcome of the Forum and the FDI evaluation meeting in Istanbul was the proposed cooperation from an EU project contractor, who engaged an LGI/FDI expert into the development of a Road Map for local government's future status and functions. The Road Map was an attempt to present a coherent plan of action for local government reforms. It was presented to a donors' meeting in an effort to coordinate and streamline work better. The results of the meeting are yet to be provided to FDI.

In an effort to follow-up on the Forum ideas and recommendations, the FDI Manager went on a mission to Kyrgyzstan and met with many of the government officials and donors who were involved in the Forum. The situation in Kyrgyzstan has dramatically changed in the last half year with a new government in place and a lot of uncertainties about its sustainability in the near future. With the change of the government, many of the officials involved in some reforms and decentralization work left the government, and with that their expertise has been lost. At the moment, there is no clarity on the levels of government in the country (four, three, or two) and respectively the budget cannot be planned. As a result the fiscal transfers to lower levels were stalled as well as local government functions and own revenues further confused and complicated. Under these circumstances, FDI tried to meet government officials and partner with donors who work on local government and finance—a coordination group of the Swiss Development Agency, the WB, SIDA and some others has been set up within the Ministry of Finance to jointly support budget reforms and transfers. FDI is in touch with representatives of the group as a possible way to continue supporting these reforms in a more coordinated manner.

In addition, FDI has plans to facilitate more systematic capacity-building efforts—training in performance budgeting, budget planning, and management of local government own revenues for national and local government officials. These efforts will be regional and FDI plans to continue negotiations with the ADB and with the Turkish Development Agency (TIKA) as the trainings will be facilitated by a private Turkish University. FDI/LGI will seek also support from the Swiss and Dutch agencies in Central Asia.

### **2. Financing Public Education in Tajikistan**

The activity will be delivered in 2007.

## Caucasus

### Planned activity

Based on the input from USAID and OSI offices, FDI proposed to deliver **three policy development forums** (one per each country) on main fiscal aspects of local government/public administration reform. Speakers and facilitators were to be provided from Central Europe and other relevant countries, as to allow for transfer of experience from countries with relevant experience in fiscal aspects of local government reform. Although specific agendas were to be determined through technical assistance programs and in cooperation with local partners FDI planned to focus on the following lead topics:

- ? Effective revenue and expenditure assignment stimulating efficient use of public funds and proper delivery of public services;
- ? Developing revenue sharing system by identifying the principles of tax reallocation; selecting taxes, which are most suitable for sharing; designing the methods of tax sharing;
- ? Designing local taxes and user charges in emerging market environment; developing effective revenue administration system for existing local taxes;
- ? Planning methods for intergovernmental transfers best serving vertical and horizontal equalization purposes; adjusting various techniques of grant allocation (general, block, conditional, matching grants) to public sector reform goals;
- ? Ensuring transparency in intergovernmental fiscal transfer systems by opening up the policy process, establishing national forums for debate on transfer policies, publishing the criteria of grant allocation, developing fiscal information systems;
- ? Supporting sectoral reforms in public education and local public utility services by analyzing the fiscal conditions of reforms, designing the intergovernmental and financial management aspects of decentralization reforms in the selected service areas;

FDI proposed to commission background position papers prior to the forums. Following the discussion at the forum, FDI planned to assist with development of background studies into a set of policy papers, which are to be published, presented to the relevant governmental bodies and disseminated.

### Implemented activity

#### 1. **FDI National Forum in Georgia**

OSI/LGI in partnership with Civitas Georgica, representing an “NGO coalition for local democracy and self government,” organized a high-level, two-day forum on intergovernmental fiscal relations and fiscal decentralization in Tbilisi (Georgia) on June 28-29, 2004, with the

participation of 65 national and sub-national decision-makers, local government officials, local government association representatives, local and international experts on public finance.

The forum focused on:

a.) **Overall Administrative and Legal Frameworks for Decentralization**

This session assessed the existing framework and sector legislation of Georgia. It also examined common administrative practices and tapped into the most sensitive issues that should be solved as to overcome general barriers to fiscal decentralization in Georgia.

b.) **Territorial Reorganization of Local Governments**

Local self-governance constantly faces performance problems stemming from its small size and scarcity of assets. The reorganization has long entered the agenda of all major stakeholders in the field. The session dealt with drafting feasible guidelines for reshaping the local governance landscape into a more coherent and efficient autonomous system.

c.) **Intergovernmental Fiscal Relations**

This topic constitutes one of the hottest priorities in the FDI realm. The session dealt with numerous problems in the field, including the need for delineating budgets of different levels, developing common criteria for central grants and transfers, measuring LGI public spending share in the national GDP, public borrowing and distribution of funds among different levels of government, etc.

d.) **Financial Viability of Local Governments**

This topic tackled the issue of stable performance of local government bodies. The session dealt with problems of taxes and fees, prospects for multiplication of revenue sources in local governments, management of local assets and property, as well as administration of municipal entities, etc. The objective of this topic was to assess possibility of revenue generation and economic growth at local level rather than analyze allocation transfers and grants from the central budget.

e.) **Local Financial Management**

Modern financial management in local governments forms the essential part of their financial autonomy. The session dealt with issues of accountancy, public procurement and audit of municipal property, essentials of managing land registry and municipal enterprises, etc.

f.) **Local Government Capacity Building**

This topic covers organizational strengths and capabilities essential for local decision-making, practical enforcement of policy guidelines, and public outreach of local authorities. The session dealt with problems of human resources management, technical feasibility, tactics for the development of favorable social environment, etc.

## 2. **FDI National Forum in Armenia**

OSI/LGI in partnership with the Communities Finance Officers Association of Armenia organized a high level 2 days forum in Yerevan (Armenia) on July 14-15, 2004 on intergovernmental fiscal relations and fiscal decentralization with the participation of 97

national and sub national decision makers, local government officials, local government association representatives, local and international experts on public finance.

The forum focused on:

- a.) **Fiscal Decentralization:** a) development of fiscal decentralization in Armenia; b) improvement of fiscal equalization system; c) own revenues of local governments)
- b.) **Political Decentralization:** a) relationship between central and local governments; b) territorial and administrative aspects of local government reform; c) Opportunities for further functional assignment)
- c.) **Public Service Delivery and Capacity Building:** a) municipal service development; b) development of local public services delivery; c) partnership between civil society and local governments)

### 3. FDI National Forum in Azerbaijan

OSI/LGI received a proposal from the Czech Trust Fund and the UNDP Regional Support Center to support a **study tour to the Czech Republic for Azerbaijani local government officials, ministry representatives, and local government experts** to learn about local government experience in the Czech Republic on local finance, intergovernmental transfers and service delivery—such as education, healthcare, social security, and transport. LGI/FDI covered the costs of international travel related to participants' attendance. The study tour took place between October 30–November 3, 2006 in Prague with the participation of 10 representatives from government institutions, municipalities, and NGOs.

The study tour offered meetings and discussions on the following topics:

1. Czech public administration reform at central and local levels according to the requirements and standards of the European Union
2. The process of fiscal decentralization; financing of local self-government: the Czech experience
3. Legal basis of local self-governance in the Czech Republic; relationship between the state administration and local government
4. The role and mission of the Union of towns and communities of the Czech Republic
5. Regional policy in the Czech Republic; regional development programs
6. Training of public officials at local level in the Czech Republic
7. Citizens participation in public administration at all levels—national, regional, and local: Czech experience
8. Two business meetings: with Kladno Town Municipality and the Regional Authority of the Central Bohemia region

The follow-up Forum on Decentralization was organized after the study tour and took place in Baku on November 16, 2006. The objectives of the meeting were:

- ? To share with public officials, NGOs and local government representatives the knowledge gained on the above topics discussed in the Czech Republic
- ? To discuss further real steps to improve the current situation by agreeing on a number of priority issues to be reformed
- ? To design a strategy by which an improvement of key services at the local level will be introduced
- ? To discuss further exchanges of experts and knowledge between the two countries

Thirty-seven representatives from parliament, government institutions, municipalities, international organizations, academic institutions, and NGOs attended the follow-up workshop.

Impact:

**1. FDI National Forum in Georgia**

The project resulted in FDI Conference Proceedings in the Georgian and English languages, including background policy studies and a summary chapter with specific recommendations and feasible action plans for policy development/implementation follow-up to the forum that was widely disseminated among policy-oriented institutions. The outcome of the conference was somewhat mixed, as local government reform in Georgia is being hindered by the attempt of the government to consolidate territorial integrity of the country and bring under control its breakaway territories of Adjara, Abkhazia, and South Ossetia.

**2. FDI National Forum in Armenia**

The project resulted in FDI Conference Proceedings in the Armenian and English languages, including background policy studies and a summary chapter with specific recommendations and feasible action plans for policy development/implementation follow-up to the forum. The forum was a success, and the organizers (LGI and CFOA) were approached by the Armenian government about a possibility to support technical assistance follow-up dealing with fiscal equalization in Armenia. The forum was widely covered by Armenian media.

**3. FDI National Forum in Azerbaijan**

The Azerbaijani tour and the follow-up Forum were good steps towards introducing government officials to the need and importance of decentralizing and local level reforms in general. Not only was the tour successful but the FDI attempt to link this to an event where the experience was replicated in the Parliament and some other government officials was a substantial step to create a clear-cut and meaningful agenda for specific reforms targeting local government. In the context of centralized governance in Azerbaijan, these steps had a substantial impact and FDI would like to follow-up on the proposed reforms. Currently, a mission is being organized to Armenia and there is a suggestion that the Armenian CFOA supports some equalization and capacity-building work with the help of FDI.

The main reform areas identified were:

1. Strengthen the financial basis of municipalities;
2. Expand the role of municipalities in the provision of social, public utility, and other services at the local level;
3. Strengthen institutional development and capacity building of municipalities;
4. Improve municipal legislation.

Activity areas for reform include:

1. The delegation of functions to the local self-governments in Azerbaijan by stages;
2. Improve financing of local self-government and develop a Financial Equalization Mechanism for Azerbaijan;
3. Clarify the status of City of Baku;
4. Management of public funds on local level;
5. Develop a mechanism of civil society participation in the budgeting process;
6. Strengthen Regional Development Policy and its financing;
7. Strengthen the capacity of the municipal associations;
8. Strengthen citizens participation in public administration at all levels—national, regional, and local;
9. Improve the legal basis of local self-governance;
10. Design development programs for underdeveloped regions;
11. Ensure targeted regional development policy;
12. Increase capacity of staff to be involved in implementation of regional policy;
13. Improve regional and municipal statistics.

### 3. Technical Assistance and Professional Advice

#### South Eastern Europe

##### Planned activity

FDI proposed to deliver **four technical assistance programs** during the implementation of the program in SEE. Technical advice was meant to be used prior to the organization of policy development forums and international conferences, during forums and conferences, and during follow up activities. FDI planned to provide consultants from Central Europe or other relevant countries that will help with design of workshops, preparation of background papers, development of policy papers, and recommendations for further capacity-building exercises or direct technical assistance with policy implementation. Each technical assistance program was meant to be built around topics identified by USAID and OSI staff/implementing agencies and will complement their work in countries of SEE.

##### Implemented activities

#### 1. **Fiscal and Functional Decentralization of the Capital City of Belgrade**

This project was a very good example of how FDI could complement the activities of partnering donors and organizations when their work was concentrated more on the national rather than the international experience. FDI experienced very good cooperation with the USAID project on local government and the result was clearly a useful comparative perspective on city finances—as these compared to Bosnia and Herzegovina, Macedonia, Hungary, and some other European capitals.

The aimed at: (i) reforming intergovernmental relations (delineation of functions and fiscal responsibilities) between the Republic of Serbia and the City of Belgrade; (ii) enhancing better distribution of competences in relations between the City of Belgrade and its territorial municipalities and coming up with a specific policy proposal on how to improve the distribution; (iii) comparing the status of intergovernmental fiscal relations in the countries of Serbia, Macedonia, and Bosnia and Herzegovina and exchanging ideas.

The history of the initiated project was such that there was a need to complement the work of USAID on the Law on Belgrade. With the extensive support of the USAID-financed SLGRP program (Serbian Local Government Reform Program), PALGO Center and the City of Belgrade officials prepared the Law on Belgrade—a comprehensive effort to provide city districts (municipalities) with adequate competences and proper resources for its financing, in line with the principle of subsidiary. The existing model of financing provided that 17 city

municipalities were receiving their finances through the Annual Decision on City Municipalities' Finances on behalf of the central government. The content of the Decision was the result of a nontransparent and nonconsultative process. In the Law on Belgrade, the drafting team faced the problem of how to design an efficient and just finance system—and there were a number of issues at different fiscal levels: the division of competencies was not well-regulated, there was a disproportionate revenue and expenditure composition, no uniform standards for the appropriate number of employees, and a lack of proper regulations for the City of Belgrade.

By organizing a regional workshop for the countries of Macedonia, Bosnia and Herzegovina, and Serbia and gathering fiscal experts to discuss the status of their capital cities, PALGO aimed to support the fiscal reform process in the region through sharing best practices on intergovernmental finance. In spite of the best intentions of PALGO team, SLGRP experts, City Hall officials and partners from the Standing Conference of Cities and Municipalities, there were still no good solutions and external assistance was needed. Regional experts were found among the scholars teaching at the CEU SUN program on intergovernmental fiscal relations and the PALGO center hired *Jozsef Hegedus* to prepare a comparative overview of the applicable capital city finance models and prepare policy recommendations for the City of Belgrade. By doing that, PALGO planned to initiate amendments to the fiscal side of the Law on the City of Belgrade.

The project closed with a regional workshop organized in Belgrade on May 23, 2006 involving fiscal experts from Bosnia and Herzegovina, Macedonia, and Serbia, who discussed the status of their capital cities based on the policy papers prepared by them. Comparisons were made to the functional and fiscal relations within these countries' capital cities. Serbian experts presented their positions on the City of Belgrade and its functional relations with Serbia and its municipalities, providing recommendations on most adequate mechanisms to correct horizontal inequalities among 17 urban and suburban city municipalities and provide a rational financial base for exercising the assigned competences.

## **2. Reform of Urban Land Finances in Serbia**

The second technical assistance project in Serbia was carried out by the Center for Liberal Democratic Studies (CLDS) and focused on financial and institutional reforms of urban land management systems in Serbia. The socialist heritage in Serbia resulted in a rather strange legal framework, with the following characteristics:

- the monopoly of the public (state–republican) property over urban land
- nonexistence of an explicit urban land market

- administrative allocation of land
- discretionary decision-making by public officials
- fees as quasi-fiscal mechanism for collection of local revenues

The inadequate legal framework allowed the existence of a variety of ways that different municipalities could use in order to raise land revenues. This was a good opportunity to assess those ways, to identify the best practices, and to propose the reform of the system. The main idea was to do a batch of five case studies that could provide some variation in terms of the size of the municipality, the region of the country, and the wealth of the municipality, since the assumption was that poorer municipalities were lagging behind with reforms. The main beneficiaries of the project were Serbian municipalities and the Standing Conference of Towns and Municipalities, especially the public employees working in the areas of local public finances and urban planning. In addition to writing a study, one of the project outcomes was a conference with representatives from municipalities, the government of Serbia, and experts where the findings of the study were discussed. The study found out that the methods applied for the collection of land use fee are mostly discriminatory towards service and commercial activities and in favor of industry. The major proposal was to abolish the land use fee and to integrate it into the property tax. Additionally, the study suggested that, at the national level, the government of Serbia should amend the Law on Financing of Self-governments in order to specify the maximum land use fee and prevent discrimination.

The findings of the study were presented at the “Reform of the Urban Land Finances» Round Table,” which was held on July 27, 2006 at the premises of the Standing Conference of Towns and Municipalities. The participants at the conference were representatives from many Serbian land directorates, representatives of local municipalities, and the government of Serbia. A discussion was held regarding the future role of land directorates. Besides the conceptual problems, the participants stressed the undefined legal status of land directorates, which are public companies, but at the same time, indirect budget users which have no independence from local authorities.

### **3. Status of the City of Sarajevo**

This project has been supported by FDI since the beginning of the current year, and its implementation has lasted from May through November 2006.

The Bosnia and Herzegovina Center for Civic Initiatives (CCI) is one of the leading NGOs in Bosnia and Herzegovina, in terms of scope and number of projects and it is one of the largest and most influential groups in the country. The project was launched at the beginning of 2006 as an initiative to redefine the status of the capital of Bosnia and

Herzegovina. Following the most recent war in the 1990s, the status of the capital remained undefined. The Dayton Constitution does not define its territory, responsibilities, financing, etc. In the last ten years, there has been no political will to define the issue of Sarajevo constitutionally and legally, leading to a set of free interpretations of the capital's status and to unclear responsibilities of different governance levels, conflicts of responsibilities, legal vacuums, political and institutional irresponsibility, poor public service, dissatisfaction of citizens and in the end, the poor image of the city. The CCI proposed to produce a comprehensive and independent research on the current situation and potential options for the improvement of the capital's status.

The main objectives of the project were: (1) to identify the existing challenges on the legal status and division of responsibilities between the existing units of local self-governance of the City of Sarajevo—local self-government unit, capital of the canton, capital of the Federation of Bosnia and Herzegovina, and capital of Bosnia and Herzegovina; (2) to identify the level of (dis)satisfaction of Sarajevo's citizens with the amount and quality of provided public services as they relate to the amount of public funds spent, (3) inform at least 300,000 citizens as well as relevant authorities on the findings of the research to have a feedback from them on key problems and to identify solutions for them. This study set the foundation for the discussion on constitutional changes in Bosnia and Herzegovina on the issue of the capital, i.e., its political, legal, administrative, financial and representative status. The research itself provided unambiguous recommendations that the current political-legal status of the capital is unsustainable, that it perpetuates sets of political and practical problems, that the quality and quantity of public services is at a low level, that the issue of financing is entirely politicized.

During the project's realization CCI had advisory assistance from FDI in terms of program suggestions on how to establish cooperation with organizations from the region. One such example was the participation of delegated experts in the regional workshop in Belgrade in May 2006 organized by PALGO. Another example is the successful cooperation with the GAP project in Bosnia and Herzegovina, which resulted in their inclusion in the project and the active role of their experts in research.

#### **4. Value for Money: Reform of Remuneration System for Public Education Teachers in Bulgaria**

Under the SEE technical assistance component FDI proposed to focus in greater detail on the issue of education financing after the successful policy development forum on public education financing that took place in Sofia, Bulgaria on March 22–23, 2005. The Open Society Foundation–Sofia was approached by the Ministry of Education and Science in Bulgaria to support a technical assistance project aiming to reform the public education

teachers' remuneration system after numerous strikes through 2005 and the beginning of 2006. The project was implemented by the Expert Analyses Group (EAG), affiliated with the Open Society Foundation—Sofia and supported by FDI.

A policy working group of educational policy experts as well as officials from the Ministry of Finance and the Ministry of Education was set up at the start of the project to design and present to the Ministry of Education a policy model for reforming teachers' salaries. Two workshops were organized at the start of the project—one of them to help the working group to structure and conceptualize the model and another one to discuss and improve the first draft. The workshops were carried out by a leading education expert from Hungary with experience from the OSI education program as well as from the Hungarian Ministry of Education. As a result, a policy paper has been developed taking into consideration a number of factors in their complexity and interdependence—the fiscal responsibilities of schools and local governments as well as the development of evaluation mechanisms for testing students' achievements, and human resources methods for evaluating teachers. The relations between schools, regional inspectorates, and local governments were also clarified as was the role of the Ministry of Education as a policymaker in the process.

The policy model has been proposed to the government that has committed BGN 9 million for reforming teachers' salaries for this year. At the moment, the model is being discussed at the Ministry along with some other alternative ideas.

##### **5. Fiscal Decentralization and Local Financial Autonomy in the Republic of Moldova**

The launching of a comprehensive project on Fiscal Decentralization and Local Financial Autonomy in the Republic of Moldova was an important initiative of the Public Administration and Good Governance Program of the Soros Foundation—Moldova and FDI. The implementation of the fiscal decentralization project in Moldova started in 2004. The Public Administration and Good Governance Program initiated negotiations with FDI, the Moldovan Ministry of Finance, and local NGOs.

The fiscal decentralization project in Moldova had the following components:

1. development of a report on fiscal decentralization situation in Moldova (2004)
2. organization of round table discussions with all the main stakeholders (2005)
3. participation in FDI regional forums (2004–2005)
4. technical assistance to the Moldovan Ministry of Finance (2005–2006)
5. organization of the Fiscal Decentralization Forum in Moldova (2006)
6. post-Forum activities and dissemination (2006)

The main partners who participated in the whole project period were:

- Ministry of Finance of Moldova (participation in round table discussions, Fiscal Decentralization Forum, implementation of technical assistance Ministry of Finance project, post-Forum activities and dissemination)
- Parliament of the Republic of Moldova (round table discussions, Fiscal Decentralization Forum, post-Forum activities)
- NGO Coalition for Fiscal Decentralization (Business Consulting Institute, CASE Moldova, and Counterpart) (the implementing group of NGOs participated from the beginning)
- Local independent experts (participated in all events organized from 2004 till present)
- Center for Fiscal Policy, Russia (cooperated with the NGO Coalition during the Forum preparation stage, participation in one round table, Fiscal Decentralization Forum, technical assistance Ministry of Finance project)
- Local government associations (participated in all events)

The project aimed at developing a new system of direct transfers from the state budget to the first and second levels of local governments. The implementation of the technical assistance project started in 2005. A very important achievement in the process of collaboration between the governmental and nongovernmental sectors was the signing of a Memorandum of Understanding between the Ministry of Finance, OSI/LGI Budapest, and the Soros Foundation–Moldova.

A major project component was the Forum for Fiscal Decentralization and Local Financial Autonomy. The Soros Foundation–Moldova awarded grants for the development of 10 independent studies that addressed various aspects of fiscal decentralization and local financial autonomy. They included the analysis of the current situation and offered recommendations for public policies. The results of the studies were presented at the Forum within several workshops. It brought together over 180 representatives of parliament, government, the Ministry of Finance and other ministries and state institutions, international organizations, first- and second-level local public governmental authorities, academics, nongovernmental organizations, and mass media. Under the FDI project over 60 recommendations on amendments of the legal framework on fiscal decentralization were developed and sent to Parliament, the Ministry of Finance, and the Ministry of Local Government.

The strategy for fiscal decentralization was developed and discussed during a public debate organized with the Ministry of Finance, Ministry of Local Government, Parliament, NGOs, and academics. Forty-three organizations representing local governments and civil society signed the Memorandum on strengthening of local autonomy in the Republic of

Moldova and created the Coalition for Fiscal Decentralization. Ten studies in the field of fiscal decentralizations were developed, 40 national and foreign experts were involved in the process, two regional seminars and eight regional mini-forums with over 300 participants were organized. Finally a project web page was launched: <http://www.dfm.md>.

Another part of the decentralization project was a study tour to Budapest for the Ministry of Finance representatives to learn about the Hungarian intergovernmental fiscal system in the frame of a study tour in Hungary. The Ministry of Finance staff members paid a visit to the Hungarian National Development Agency, to the Ministry of Finance, the Ministry of Local Government, the Ministry of Social Affairs, and the State Treasury. The members gained some understanding on the Hungarian fiscal system that they incorporated as lessons learned in the final findings of the technical assistance project. The most useful information for them was the one on fiscal transfers and on transfers for education and health.

The Russian Center for Fiscal Policies (CFP) provided constant and valuable support to the Ministry of Finance—on gathering municipal data for designing a transfer and grant formula to them, analysis of data, and design of municipal formula. The project continues in 2007 with the support of the Soros Foundation–Moldova. The Ministry of Finance officials involved in this work went through a training provided by the CFP on intergovernmental transfers.

### Impact

#### **1. Fiscal and Functional Decentralization of the Capital City of Belgrade**

FDI and the USAID local government program provided a forum for discussion on the most sensitive and complex issues in a decentralization process—competences and finance models of capital cities. The three case studies from Serbia, Bosnia and Herzegovina, and Macedonia were compared and in terms of the similarity of problems and possible solutions and cooperation between experts.

In the words of PALGO organizers there was one recommendation:

*“FDI should consider what could be the most effective means to make educational impact in the intergovernmental relations area since the annual summer course on decentralization at CEU is not sufficient for the dynamically developing region.”*

The work on promoting the policy model for Belgrade will continue into 2007 under LGI/FDI funds. A new idea that was proposed on the basis of this project was to look at capital cities and their functional and fiscal relations with central governments across a select number of countries in Europe and prepare a comparative study on these issues—the project is already underway.

LGI/FDI will continue cooperation with PALGO and the USAID project. Under LGI/FDI, FDI plans to continue with a series of workshops on raising local government own revenues, land uses and fees, and local economic development. Talks are already underway with USAID and PALGO.

## 2. Reform of the Urban Land Finances in Serbia

Since CLDS was preparing a study on urban land privatization, and all the laws and bylaws, this project has significantly added to the quality of that work. The findings and recommendations from this project were included in the Draft Law on Urban Land Privatization, which was proposed to the Ministry of Economy. This project added significant value to the ongoing effort to reform this area. As already mentioned, there is a wide consensus to change the urban land regulatory framework, primarily to privatize the land. However, there were no analyses on how to proceed and what other changes needed to be made after the land was privatized. This study identified several bottlenecks to be removed if the privatization is going to be effectively implemented. The cooperation with the government was good as they had an interest to hear some of the solutions to the problems. Also, the findings of this study were shared and discussed with representatives of the USAID/MEGA, whose main goal was to assist local municipalities in economic development. CLDS were approached by USAID to draft municipal decisions based on the findings.

Below follow the recommendations and evaluations of the CLDS:

*"We believe that there is a significant room for the future FDI's involvement in fiscal decentralization issues in Serbia.*

A new Law on Municipal Finances has given authority to municipalities to collect property taxes. It seems that significant efforts are needed on both the central and municipal level. On the central level, it is important to provide support to the Ministry of Finance to change the methodology of establishing the value of the property. On the municipal level it will be important to provide assistance for a fair and efficient property taxation system. Another issue is the operations of the communal companies (local public monopolies). Similarly to land policy, municipalities still have a lot of room for maneuver in terms of organization and staffing of the local public utility companies, as well as in defining the pricing policies. Therefore, a report on how other municipalities are dealing with these issues would be of value to municipal and national decision-makers, especially officials from the Ministry of Finance, public administration, and local self-governance. Additionally, the Law allows municipalities to outsource some of these services to private companies, so it would be

useful to see what are the practical obstacles to privatization and outsourcing in these industries, i.e., why are these opportunities not being used in practice.

In addition to this, urban land privatization will be implemented in the following years. It is critical that this process is implemented in a transparent and fair manner. Therefore, the assistance to the institutions that will be involved in privatization will probably be needed, especially if municipalities take a role. Related to that, the Ministry of Agriculture has recently initiated a large reform of agricultural land. Municipalities are playing a major role in the implementation. However, it seems that most of them are not even aware of the opportunities that they have. Since the issue is potentially very important, FDI believes that it is worth taking a closer look at the problems and why the process is lagging behind.

Both of the Serbian technical assistance projects were supplementary but important parts of the current decentralization process that is taking place in Serbia and have contributed vastly to the success of the currently running FDI and USAID-funded programs on fiscal decentralization. The active participation of the government in both projects showed signs that the recommendations and project results will be taken into account. The fact that the projects stirred change and debate and will further continue speaks in itself of the impact and value of the programs.

### **3. Status of the City of Sarajevo**

The assessment of the CCI of this project was as follows: "What can be considered as the greatest influence is publishing of the results, provocatively entitled, "Whose Capital is Sarajevo!?" FDI achieved an unexpectedly high level of cooperation with the city and higher government levels, which gave the project additional legitimacy and in the future it will be a guarantee for bigger and more successful actions. Now with certainty FDI can say that the research FDI carried out will be the foundation for the constitutional redefinition of the status of the Capital, and considering that the Constitution is the highest legal document of a country FDI can be proud of the level of influence FDI have accomplished through this relatively small project. Therefore the recommendation to FDI is to pay more attention to Bosnia and Herzegovina, to the situation with local self-government in Bosnia and Herzegovina, projects and civil society organizations as well as regional connections, which will produce better results than those that might be the efforts of separate actions."

#### **4. Value for Money: Reform of Remuneration System for Public Education Teachers in Bulgaria**

There were two very serious outcomes of this project:

- 1) As a result of the work on the policy model, FDI consultant analyzed the Human Resources EU operational program run by the Ministry of Social Affairs and Labor and proposed to the Ministry of Education to include a new text to involve HR work and needs in the education area. As a result of this more EU funds could be channeled into developing HR in schools as well as testing systems – something that will help the decentralization process of education in general and provide a stimulus for a better quality of work of teachers and students.
- 2) The other outcome is that in 2007 FDI will continue working in the decentralization and capacity building by providing policy changes and ToT support for regional inspectorates. FDI has contacted the WB for further cooperation on the project. It will continue working with the newly created **Institute for Training of Directors** by being involved in designing their conceptual framework and strategy.

#### **5. Fiscal Decentralization and Local Financial Autonomy in the Republic of Moldova**

The implementation of the FDI project in Moldova has had a great impact on the society as a whole, on the main stakeholders, and the overall situation in the field. The following outcomes can be pointed out:

- The Ministry of Finance became more cooperative with various nongovernmental stakeholders; it welcomed cooperation with NGOs and proposed monthly joint working sessions. The project made possible the cooperation between the Ministry of Finance, academics, and NGOs.
- The project helped the Ministry of Finance develop the new draft version of the Law on Local Public Finances. The Parliament took the initiative to develop a new draft Law on the Decentralization process in Moldova. The need to develop such a law was discussed for the first time during the Forum.
- There was wide participation of all main associations of local authorities— Association of Mayors and Local Collectivists from RM, League of Mayors Association of Republic of Moldova, Association of District Presidents and Councilors of Republic of Moldova, Association of Mayors from TAU Gagauzia.
- Three working groups were created to continue the work on the Forum recommendations.

The FDI project brought good results and had impact because it contained a set of complementary activities carried out for almost three years by a group of well-coordinated organizations. The Soros Foundation–Moldova tried to involve all relevant stakeholders and

partners who were interested in this field and had capacities and willingness to work in teams for a better result.

The Foundation in Moldova proposed to FDI that the following activities should continue to be supported in Moldova in 2007:

- Exchange visits between countries that implemented similar projects within FDI;
- Trainings for the Ministry of Finance and the parliamentary commissions on mechanisms of cooperation with civil society in the field of fiscal decentralization, mechanisms for reform implementation, coordination of efforts;
- Mentoring program for governmental institutions in the field of public administration and fiscal decentralization;
- A study of a mechanisms for legislation adjustment in the field of public administration and local public finances;
- Foreign expertise in the field of public administration reform and adjustment to EU standards;
- Assistance to the Ministry of Finance in implementing the newly developed system of intergovernmental transfers.

## Central Asia

### Planned activity

As described in the work plan for activities in 2005–2006 and the request for no-cost extension of the cooperative agreement, LGI decided to use the funds originally planned for technical assistance in Central Asia for a **technical assistance program in Moldova on reforming the intergovernmental fiscal system.**

### Implemented activity and Impact

Please see above, **Fiscal Decentralization and Local Financial Autonomy in the Republic of Moldova.**

## Caucasus

### Planned activity

LGI explored the possibility for delivering a technical assistance program in Armenia, where a preliminary request for work on fiscal equalization was received from the Ministry for Territorial Administration.

### Implemented activity

The technical assistance project lasted one year and was implemented by a well-known Armenian group, the Community Financial Officers Association (CFOA). A project Steering Committee was formed at the beginning, which included representatives from the Parliament of Armenia, Ministry of Territorial Administration, Ministry of Finance and Economy, UNDP, World Bank, DFID, Open Society Institute Assistance Foundation–Armenia, RTI, and CFOA. The following activities were implemented: working group meeting to present the project and involvement of the donors and central government representatives; meetings of the project Steering Committee and experts, development of an equalization concept, visit to the Center of Fiscal Policy (Moscow) and participation in the workshop on Financial Equalization, data collection and analysis (land and property taxes data for all municipalities of Armenia, expenditure needs of 96 municipalities), development of equalization grants calculation methodology, organization of discussion on equalization grants calculation methodology with participation of an external expert from the Center of Fiscal Policy (Moscow).

The Government of Armenia, many local governments, international organizations operating in Armenia, and many NGOs were interested in this Project. At its final stage, a methodology on equalization was developed and became the basis of a draft law on Financial Equalization. The project initiated in time in the sense that recent developments in local self-governance show that that current methodology of equalization has become out of date and it does not contribute to equal opportunities and to the equal economic growth for communities of Armenia.

In the context of decentralization processes taking place in Armenia recently the methodology is also very useful as its proper use will make communities more independent from central government. Implementation of methodology will bring to the need of further reforms in this field and hopefully will make local self-governance bodies stronger and more

independent. The draft law concept was presented to representatives of the Parliament, the Ministry of Finance, the Commission under the President and local governments.

In 2007, the project was extended to finalize the drafting of the new law—two experts from Poland will be working together with the CFOA to draft the law and to possibly design an advocacy campaign to lobby for its passage.

### Impact

Here is what one of the CFOA employees had to share on the impact of FDI:

*"Many of the ideas and projects started by FDI were continued and funded by other donors. The central government and many local governments use some of the recommendations developed within the framework of FDI projects. FDI gave us an opportunity to cooperate with the partners like Georgia and Azerbaijan, as well as some other countries."*

This project was a good example of the importance of building a consensus between the government, good local experts and donors on an issue of such importance as fiscal transfers and the need to reform them. The impact and good results of the project was also guaranteed by the excellent skills of the CFOA experts as well as by the support of the Center for Fiscal Policies in Russia.

The proposed for the future activities are as follows:

- ? Preparation of annual reports on the situation of local self-government reforms in Armenia (legal, financial, capacity building, service delivery, etc.) and development of policy recommendations, their publication and dissemination, as well as national conferences with presentation of annual reports and other policy papers.
- ? Designing a regional Caucasus project on local government reforms where CFOA and some international experts could advise and build needed capacities.
- ? Municipal councils are very weak in Armenia. Preparation of a series of "Local Elected Official's Guide" in various areas of local self-government - planning, budgeting, auditing, etc will be very useful

## 4. Capacity Development

### a.) Third Country Training

#### Planned activity

FDI proposed to offer 20 FDI fellowships for participation in the Central European University (CEU) M.A. in Public Policy (with a special focus on public finance and intergovernmental fiscal relations) to relevant pro-reform-oriented candidates selected through an open competition. As part of the program FDI planned to involve selected professionals in direct policy work of FDI for the purpose of policy development, advocacy, awareness rising, and policy implementation.

The USAID support contributed significantly to the start of the new MPP course by actively participating in the selection committee of the applicants by USAID CTO.

#### Implemented activity

OSI/LGI supported 20 fellows in the academic years of 2004/05 and 2005/06 from Kyrgyzstan, Kazakhstan, Georgia, Azerbaijan, Romania, Bulgaria, Kosovo, Serbia, and Bosnia and Herzegovina. The courses in this stream provided students with knowledge of methods, systems, and skills to analyze such issues as: (1) worldwide trends in fiscal decentralization; (2) alternative models for structuring countries into multiple tiers of governmental; (3) the concept and practice of assigning expenditure responsibilities and revenue authority; (4) the different designs of central to sub-national transfers such as for regional equalization and to stimulate service performance improvements; (5) creditworthiness and fiscal condition measurement, and methods of assessing local financial risk; (6) models for strengthening local own-source revenues; (7) different designs of local tax and fee structures revenue policies; (8) revenue and expenditure forecasting methods; (9) organization of the local public finance function; (10) capital investment planning, budgeting and evaluation; (11) macroeconomic models from which to develop a budget ceiling; (12) costs of municipal services and setting prices, (13) methods of introducing program-performance budgets, (14) medium-term expenditure frameworks; (15) alternative computerized integrated financial management systems, and (16) methods of auditing and evaluating public programs.

#### Impact

After approximately two years of intensive planning and fundraising, the Center for Policy Studies at the CEU has launched the Masters of Public Policy (MPP) in the academic year of 2004/05 as a new academic program contributing to the University's general mission by training a new generation of policymakers capable of implementing reforms in countries within CEU's "orbit." The MPP relies on the academic resources and research initiatives at Center for Policy Studies (CPS), embraces a body of international faculty, brings new fields of inquiry into the CEU community, and broadens the choice of elective courses that the whole CEU student body is offered.

The establishment of the MPP intended to serve the mission and the objectives of CEU by introducing a new field of studies that is interdisciplinary in nature and increases the social significance and policy relevance of the university as a whole. The program has enlarged the constituency of the university in the region and beyond by reaching out to future policymakers and catering to an increasing demand for graduate education in this field that is currently hardly met in the region. The curriculum combines classical policy studies courses with knowledge channeled from research projects of CPS. This creates synergies and an intellectual space in which students are invited to learn conceptual knowledge in parallel with the application of this knowledge, thereby developing their critical and problem solving skills.

MPP has a sound curriculum with a CEU Senate endorsement and US registration. From the second academic year on, the program offers three tracks (decentralized governance, media and telecommunications policy, international public policy). The program is unique in CEE and CIS with its Anglo-Saxon and interdisciplinary spirit and its capacities to link post-socialist policy experience with a broader comparative context; the appointment of the first director of the program as a Marie-Curie Chair, and the recruitment of an international faculty of senior and junior members demonstrate the program's academic appeal; offers courses that are cross-listed by other departments: in 2004/05 six courses, in 2005/06 eight course, and they are still taken by students of other departments.

The MPP has demonstrated a successful take-off with promising numbers of student applications from emerging or new democracies, including Africa, as well as Western Europe and North America. The number of applications has significantly grown for the third year since the launch of the program, demonstrating that the MPP caters to a growing market demand currently not met from other sources.

The MPP has a successful fund-raising record. In addition to a generous support from USAID and the Open Society Institute, MPP has received a prestigious Marie Curie Chair grant and a Jean Monnet Module grant of the European Commission. MPP received high ranking in the last Erasmus Mundus competition and was short-listed

again this year. (The international consortium of four European academic institutions, established with the lead of the CPS, will offer double MA degrees for “third country” students, 20 of them per year).

The Senate of the CEU has decided on establishing an independent department for the program in May 2006 (Department of Public Policy). From the academic year 2006/2007, the program will receive a core grant from the university in every budget year (EUR 200,000 for 2006/2007). For the third academic year, close to 140 applications applied for the program, and 30 of them were accepted (11 full-fee paying, four students with 50-percent tuition waivers, 15 students with external fellowships).

The program has become member of a consortium of Hungarian universities that will submit a proposal for a two-year MA program in public policy to the Hungarian Accreditation Committee in the spirit of the Bologna regulations of the European Union in September 2006. Thus, the DPP will have both US and European (Hungarian) accreditation.

Those participating in a third country training opportunity became fully integrated into FDI activities pursued in their home countries or other FDI target countries. Knowledge in the above areas is imparted through such means as action-forcing cases, in which students gained managerial skills in decision-making under uncertainty. They also participated in group exercises to solve practical problems, such as forecasting revenues for selected taxes. They learned how to apply technical methods to “messy” problems such as in evaluation of city capital investments that have multiple social objectives. Most importantly, students learned how to write clear policy analysis papers containing: problem definitions, implications for policy and management, and recommendations. Since most MPP students have public or third sector experience, these activities will enable them to find more challenging positions that require increased supervisory authority and fiscal management skill at the local level.

The provision of a substantial number of scholarship packages throughout the first years of the MA in Public Policy program at CEU did significantly contribute to the development of the program both in terms of academic orientation and its role in the wider higher education market of immediate relevance to the region of Central and Eastern Europe and the FSU countries.

At an academic level the funding has triggered the development of a set of interrelated courses on the program ‘Decentralization Stream’. A certain number of these courses is compulsory for all FDI scholarship holders. In particular, courses taught by former and active practitioners who have outstanding personal expertise in the region have been

established. As a result of the course work a network of students and faculty has been established which has been crucial for bringing graduates into policy relevant jobs.

Moreover, the initial two years have established this field of specialization as one of the core areas of academic and strategic interest at program level. In May 2006 the initial program was transformed into a fully-fledged university department which has triggered investment by CEU. The university wants to further consolidate the specialization in this field with the hiring of a new full-time faculty member in the area of economics for public policy and political economy. For the academic year 2007/8 another hiring in the field of public administration is planned. Again, this new faculty member will contribute to the course offerings in the context of 'Decentralization Stream'. Finally, CEU has been active to recruit further donors for funding future generations of students in this field.

#### **b.) Local Government Association Workshop**

##### Planned activity

In order to increase domestic capacity the FDI program proposed to provide financial and institutional support to professional associations. National groups of municipal finance directors, auditors and local governments were to be supported in order to improve their members' knowledge and expertise on fiscal decentralization. OSI/LGI proposed to deliver three regional local government association workshops in the three respective regions.

##### Implemented activity

#### **1. South Eastern Europe**

In cooperation with the Stability Pact and the Network of Association of Local Authorities (NALAS) of South Eastern Europe, OSI/LGI delivered a local government association workshop in Bled (Slovenia) on July 5-6, 2004 for representatives of members of local government associations from the countries of former Yugoslavia, Albania, Bulgaria, Greece, Moldova, and Romania. The main objectives of the forum were: to assess needs in the area of financial management that local governments in SEE should address through their services; to assess capacity of local government associations in SEE to respond to needs of members in the area of financial management; to exchange ideas among local government representatives and staff of

associations about the role of associations in service delivery to members in the area of financial management; to define practical ways of assisting members of association in the area of financial management and to determine how such assistance may be financed; to encourage professional contacts among local government representatives in SEE.

## 2. Central Asia

OSI/LGI delivered a local government association workshop in Bishkek (Kyrgyzstan) on September 30–October 1, 2004 for representatives of members of the Kyrgyz Associations of Cities, Kyrgyz Association of Villages, and Tajik Association of Small Towns, with the participation of some Kazakh local government association members. The main objectives of the forum were: to assess member needs that local governments in Central Asia should be responding; to assess capacity of local government associations in Central Asia to respond to needs of members in terms of policy development, advocacy, capacity building, information dissemination, and international representation/cooperation; to exchange ideas among local government representatives and staff of associations about the role of associations in service delivery to members and agree on a regional capacity building program for members of associations in the area of municipal management; to define practical ways of providing assistance members of local government associations in Central Asia and to determine how such assistance may be financed; to encourage professional contacts among local government representatives in Central Asia and other countries represented at the conference as speakers (Russian, Ukraine, Bulgaria, Armenia, Latvia).

### 3. Caucasus

OSI/FDI entered into partnership with the National Associations of Local Authorities in Georgia to design and organize a workshop on the role of local government associations in Caucasus in representing interest and providing services to their members. The workshop took place in Tbilisi, Georgia on September 22-23, 2005 with the participation of associations from Armenia, Azerbaijan, and Georgia. The workshop targeted 60 members of the National Association of Local Authorities of Georgia (NALAG), Communities Association of Armenia, Association of Municipal Finance Officers of Armenia, and local government representatives from Azerbaijan (where association is in the process of being built). Sixty participants from three Caucasus countries and ten international experts as well as representatives from the Parliament of Georgia attended this two-day workshop. The workshop aimed to represent interests and provide services to association members in the Caucasus. The main topic was to improve the capacity of local government associations so that they can better respond to the needs of their members in terms of policy development, advocacy, capacity building, information dissemination, and international cooperation. Participants also received information about local government associations from four Central and Eastern European countries (Latvia, Bulgaria, Ukraine, and Estonia). A visit to the Telavi municipality, where participants could learn about the real problems Georgian municipalities face in everyday activities, formed another part of this workshop.

#### Impact:

##### 1. South Eastern Europe

The workshop provided good opportunities for the members to facilitate transfer of experience with association building and operation of associations in Central and Eastern European countries. The seminar involved presentation on financial management/budget execution and series of case studies looking at services that local government associations may develop for their members in this particular area. Case studies covered both more systemic approach such as certification/accreditation of municipal finance officers (for stronger associations) and more *ad hoc* approaches such as irregular training workshops (for weaker associations).

## 2. Central Asia

The workshop included keynote presentation on the role of local government associations (services, organization and financing) delivered by the representative of the Bulgarian Association of Municipalities, and series of case studies looking at three main goals of local government associations: (i) policy development, advocacy, lobbying (Armenia, Latvia); (ii) capacity building and information dissemination (Russia, Ukraine); (3) international representation and cooperation (Russia).

The workshop served as a stepping-stone for introduction of the online Local Government Information Network (LOGIN) in Kyrgyzstan and approval of a regional capacity-building program for Kyrgyz Association of Cities, Tajik Associations of Small Towns, and the Russian Association of Small Towns in the area of municipal management.

## 3. Caucasus

Although the workshop was not being followed up under this program, it was successful and has made an impact which was expressed in the results of the evaluation forms disseminated and processed by the World Bank Institute. The results showed that 98 percent of participants said that the workshop was useful; 88 percent pointed out that the it matched the learning needs; and 86 percent that it provided new information

As this workshop enabled the first meeting of local government associations of the given countries, the promotion of understanding among them was a major result based on discussions of various aspects of their activities including ways how to share experience and best practice. In addition, the forum, brought together Azeri local governments with the other Caucasus associations—which was already a success in itself—and, in addition, the information gathered by the Azerbaijani colleagues was key in promoting a later study tour to the Czech Republic on the topic of decentralization, intergovernmental transfers, and local government revenues followed by an Azerbaijani-based round table for government officials.

Also, as a result of the newly established contacts two unsolicited proposals were submitted to LGI from Azerbaijan. A few ideas for partnership projects between Baltic and Caucasus participants were also explored.

**c.) Training-of-Trainers Local Government Financial Management****South Eastern Europe**Planned activity

FDI proposed to deliver **two regional training or other capacity development programs** for policymakers, practitioners, and/or reform-oriented organizations in SEE. FDI planned to use technical assistance consultants working with its local partners prior, during, and beyond the policy development events to determine the most appropriate topics and ways of delivering training and capacity building. This will ensure that FDI delivers what is most needed. The programs were planned to be delivered either in cooperation with a local competitively selected partner or through one of OSI's regional support centers for training institutions.

Implemented activity

LGI organized a training for local government officials from small towns in Romania to increase the capacities of financial planning, budgeting, EU co-financing, and the allocation of EU funds. The request came up after the conference organized in January 2006, with the aim to cover the topic of financial planning and budgeting for EU projects and absorption capacities of Romanian local governments. The workshop took place in Sinaia (Romania) on November 15-17, 2006. The training was designed for local government officials for 12 municipalities around of the City of Bucharest and implemented by different types of partners: Romanian trainers from the Romanian Training Institute (RTI), trainers from the private consulting sector (Hungary and Ireland—with experience in the Czech Republic, Bulgaria, and Romania); banking sector (bank officials from the largest banks providing local government credits—Raiffeisen, OTP, Societe General, and National Bank of Romania). In addition, the Romanian Institute for Public Polices (IPP) prepared the background and case studies for the training, as well as the evaluation.

The training lasted 3 days and the following modules were covered:

1. **Strategic planning and coalition building at the local level**—municipal strategic development plans and how EU programs and funding affect these. Practical aspects on how to choose to use EU funds for local programs related to European Social Funds.

2. **Financial planning of EU projects** (rules, risk management) in the context of general budget planning, capital investment funds, etc.—financial planning, procurement, contracting, monitoring and evaluation for EU projects—monetary costs and benefits of options; assess risks and adjust for optimism bias; nonmonetary costs and benefits; net present values.
3. **Ways of co-financing of EU projects, local government borrowing**—bank presentations about the regulatory framework for loans, risk assessment for loan releases, bankruptcy clauses and nonpayment of loans—consequences, bank regulations
4. **Implementation of EU projects—procurement and contracting; project monitoring; project and impact evaluation, of which:**

*Procurement and contracting for local government; stages of the procurement process:*

- ? collection and assessment of proposals
- ? setting up the evaluation commission
- ? procedures for and selection of winning bids—criteria and setting the financial threshold; awarding the contract—transparency
- ? contract monitoring

*Monitoring of EU contracts*

- ? Internal capacities to carry out monitoring of contracts and project implementation—are they in place; are they aware of EU reporting rules and requirements
- ? Setting up an indicator system to measure performance—quality measurement—how to measure impact (value for money)
- ? External impact assessment – external quality assessment audit—is that in place? Are there any other players—ministries? Big consulting companies? How do these fit with the local government monitoring capacities—communications and sharing of ideas?

*Evaluation process, reporting tools, and impact measuring*

Impact

The training stirred a lot of interest as most small municipalities have not had access to such options before. The most useful information for them was provided by case studies dedicated to procurement under EU rules, how to apply for loans from banks, how to strategize public-private partnerships, and how to plan for bidding and fiscal allocations for EU projects and funds. The innovative involvement of banks as trainers was highly appreciated and the very specific instructions and ideas will continue to be an object of future trainings.

There were a number of planned activities coming out of the training for future FDI action: (1) LGI will design a training-of-trainers for a group of Romanian consultants who will be used for further trainings and advisory support for smaller and disadvantaged villages and towns and their services will be further subsidized by a number of Romanian municipal associations who FDI worked with; (2) LGI will train these consultants and will then transfer the model to Bulgaria; (3) a study tour for municipal and ministry officials was proposed by the Irish Ministry of Labor representative at the training to demonstrate to Romanian officials how the management of social funds in the ministry is carried out; (4) further training activities will most likely be negotiated with the banks as well. Some components of this program will be implemented.

**d.) Training-of-Trainers Local Government Management**

**Central Asia and the Caucasus**

Planned activity

FDI proposed to support adjustment of region-specific training activities, and development of in-country training capacity through **training-of-trainers (ToT)** programs and other **capacity-building courses** in the target regions. FDI planned to support two regional ToT programs in: (a) financial management and (b) local government management in SEE and the former Soviet Union.

Implemented activity

The project aimed at capacity strengthening and widening of experts networks in Central Asia for sustainable regional and local development through a three-day training workshop on December 8-10, 2005 for the representatives of state agencies, think tanks, and nongovernmental organizations of Kazakhstan, Kyrgyzstan, and Tajikistan involved in projects on poverty reduction and economic development. An international team of specialists and experts of the Public Policy Research Center, Kazakhstan and Moscow Public Science Foundation (MPSF) Russia conducted the training.

PPRC is a key policy center in Kazakhstan conducting applied policy research, providing consultative assistance to the government and trying to involve the public in the process of policymaking. PPRC focuses on three areas: decentralization and

development of local government, social and economic policy, and fiscal policy. PPRC has an extensive and established network of experts and associates throughout Kazakhstan. As such, the center is well positioned to conduct analysis and facilitate discussion and manage communications with key stakeholders on policy and private sector participation issue.

The Moscow Public Science Foundation (MPSF) supports the development of local self-government in the FSU (former Soviet Union) countries where Russian language is broadly used. Such support is aimed to promote and facilitate good governance, competent leadership and proper delivery of public services at the local (sub-national) level.

The objectives of the workshop were to provide an opportunity for access to international experience on public finance management for poverty reduction and supporting economic development; to develop an understanding of systemic links between measures on poverty reduction and local economic development and measures on improvement of local governance and decentralization; to assist the development of national experts networks on public finance, local governance and fiscal decentralization; and to provide an opportunity to develop regional and international cooperation and build professional partnerships.

There were 24 trainees attending the workshop—local government officials, ministry officials (Ministries of Finance, Education, and Economy), policymakers, and practitioners from NGOs from Kazakhstan, Kyrgyzstan, and Tajikistan involved in poverty reduction and economic development.

The training contained six modules:

1. **How to fight poverty?** Promotion of economic development and supporting employment, (2) targeted social assistance;
2. **Budget revenues and expenditures at different levels of government.** Mid-term financial planning, program-oriented budgeting (results-oriented budgeting). Raising funds for programs of poverty reduction and economic growth beyond government budgets;
3. **Economic policy.** Attracting investment, support for small businesses, territorial development. Territorial marketing, city building regulation and real estate management for economic activity improvement;
4. **Strategic planning.** Technology for development of strategic planning system and development of strategic plans. Development of regional (local) programs on poverty reduction. Practical exercise.
5. **Social policy.** Improving access of poor people to social services and social infrastructure, social protection of low-income groups of the population, targeted social assistance. Social housing. Preventing social exclusion.

6. **Participatory approaches** involving citizens in administration, local democracy forms, development of local civil society, development of local community self-assistance forms.

### Impact

Participants shared their views that the training was well-planned (4.6 on the scale of 0-5), with clear objectives (4.6), and well-covered topics (4.0). More case work and practical exercise were requested so that some real-life situations were resolved could be provided solutions. In general, the training achieved the following:

- Participants had a basic update on contemporary international experience on public finance, management for poverty reduction, and supporting of economic development;
- Understanding of the basics of local economic development;
- Participants proposed how to create a national experts' network on public finance management, local governance and decentralization, including fiscal decentralization;
- Participants had concrete suggestions on establishing regional partnership projects on public finance management.

The sustainability of the project was ensured through vesting the idea of such trainings into the summer academy of the PPRC where policy makers are trained in local economic development, budget planning and participatory budgeting.

### e.) **Intergovernmental Fiscal Course at the CEU Summer University**

#### Planned activity

FDI proposed to organize **two in-house courses** developed jointly with the World Bank Institute on intergovernmental fiscal relations for competitively selected participants from the three target regions. Participants were to be selected competitively and upon recommendation from OSI/USAID offices.

#### Implemented activity

#### **Background and training modules**

This two weeks in-depth course on *Intergovernmental Fiscal Relations and Local Financial Management*, co-organized, under the auspices of CEU/SUN, by the World Bank Institute, and LGI, provides a review as well as an advanced discussion and analysis of: (i) worldwide trends in fiscal decentralization; (ii) alternative models for structuring a multilevel public sector; (iii) the concept and practice of the assignment of expenditure responsibilities and revenue authority; (iv) the design of various forms of central – sub national transfers; (v) creditworthiness and the financial risks of local authorities; (vi) models for strengthening local own-source revenues, and (viii) the emerging topic of the relationship between the structure of governmental institutions and anti-corruption (institutional integrity) practices. The activity will bring together a worldwide set of fiscal experts in a format that will stress faculty–participant interaction.

Seventy-five students attended the course in the period 2004–2006 (from South and Eastern Europe). The course directors were *Adrian Ionescu*, Local Government and Public Service Reform Initiative, Budapest, and *József Hegedüs*, Metropolitan Research Institute, Budapest, and trainers were an international mixture of experts well-regarded in the field.

They worked to:

- (i) provide participants with the analytical framework for understanding intergovernmental fiscal economics and various modules of the central-sub-national (e.g., local) relationship,
- (ii) enhance participants' capacity for successful implementation of public sector resource management reform by analyzing mechanisms for the transfer of resources among governments and identifying ways to address the issue of regional disparities and local resource mobilization,
- (iii) and increase participants' understanding in the issues of fast restructuring public economy in countries of transition,
- (iv) enhance participants' capacity to understand and use the practical simulation methods on public finance issues (transfers, local taxes).

The course has been designed for the practitioners, researchers/academics and trainers in the area of public finance related to local government issues and intergovernmental fiscal relations.

#### **Distance learning**

The course organizers also developed a distance-learning module—its materials designed to cover an overview of issues of financial decentralization as well as those of revenue and expenditure assignments. Course tutors kept contact with participants sending out and discussing assignments via e-mail. They also established e-mail

discussion forums among prospective participants so that they could exchange information and views prior to course start. Topics included: issues of fiscal decentralization in a comparative framework; legal background of decentralization (Charter of Self-Government); expenditure assignment; revenue assignment; grant types; local revenues and user charges; local government investment and borrowing; local revenues and taxes.

All participants were involved in the distance-learning phase prior to the course. The distance-learning process consisted of:

- ? Distribution of the updated Distance Learning Manuals (seven core texts and seven workbooks) with around 30 new case studies (using examples and experiences from 10 countries);
- ? Evaluation of the Tutor Marked Assignments (TMAs) of the participants on seven topics (Fiscal Decentralization, Expenditure Assignments, Revenue Assignments, Intergovernmental Transfers, User Charges, Borrowing, Budgeting);
- ? Facilitation of the participants' individual learning process by giving continuous feedback on their questions and problems will be facilitated and five summary reports based on the TMAs;
- ? Preparation of a feedback report on the Distance Learning Course.

#### **Assignments and assessment**

Each participant was expected to prepare a presentation on the fiscal decentralization issues of her/his country and on the issues of one public sector. These papers were then presented during the course. Submission of five assignments related to the Distance Learning Modules was mandatory for participation in the SUN course in July. The participants were evaluated according to their attendance and contribution to class discussions and workshop exercises.

#### **Target audience**

The course has been designed for the practitioners, researchers/academics and trainers in the area of public finance related to local government issues and intergovernmental fiscal relations

#### **Impact**

See attached evaluations in Appendix 5.

## 5. Evaluation Workshop

Please see detailed results, impact, and action plan in Part I

## 6. Dissemination

### Planned activity

FDI proposed to continue publishing the **reports and conference proceedings** coming out of international conferences, national workshops, and technical assistance activities. These publications were to be made available in English and/or Russian for the international audience and in local languages for the domestic readers.

The FDI website was to be further improved as part of a LGI website development program by supporting accessibility and interactivity.

### Implemented activity:

#### 1. “Reforming Property Taxation in SEE”

(available at [http://lgi.osi.hu/publications\\_datasheet.php?id=343](http://lgi.osi.hu/publications_datasheet.php?id=343))

Reforming Property Taxation in Southeast Europe (SEE) is the title of the Fiscal Decentralization Initiative (FDI) policy forum, held in May 2004, in Skopje, Macedonia. At this two-day event, various authors presented papers on property taxation in five of the six countries that made up the former Republic of Yugoslavia. Each of the five papers gives an exposé on property taxes in the respective country. Papers have either a strict focus on the existing situation or they present a mixed analysis of an existing situation and expected developments.

#### 2. “Fiscal Equalization in the Caucasus”

(available at [http://lgi.osi.hu/publications\\_datasheet.php?id=345](http://lgi.osi.hu/publications_datasheet.php?id=345))

*Fiscal Equalization in the Caucasus* is the title of the policy forum organized by the Fiscal Decentralization Initiative (FDI), held in Bodrum, Turkey on June 16–18, 2005. At this forum, three authors from Armenia, Azerbaijan, and Georgia presented their papers on intergovernmental finance reform in their countries, with a particular emphasis on fiscal equalization. The existing local government finance systems of the three countries developed from an identical administrative and legislative history inherited from the Soviet Union and although they have dealt with reforming municipal finances in different ways, they continue to face a set of similar challenges. This volume is an attempt to compare the intergovernmental systems in the South Caucasus states.

### 3. Fiscal Equalization in Southeast Europe

(available at [http://lgi.osi.hu/publications\\_datasheet.php?id=346](http://lgi.osi.hu/publications_datasheet.php?id=346))

The studies included in this volume summarize recent reforms in intergovernmental fiscal relations in Albania, Bulgaria, Moldova, and five countries of the former Socialist Federal Republic of Yugoslavia. They provide an overview of municipal finance reforms, focusing primarily on fiscal equalization schemes as critical components of intergovernmental transfers. The country reports were written in a period when the reform of local government finances was high on the agenda of this region's governments after 2000.

### 4. Challenge of Regional Development in Southeast Europe/Strategies for Financing and Service Delivery

(available at [http://lgi.osi.hu/publications\\_datasheet.php?id=368](http://lgi.osi.hu/publications_datasheet.php?id=368))

The present volume includes seven papers elaborated in the framework of the regional development policy forum supported by the FDI (Tirana, December 2005). It provide readers with relevant insights and comparative information about the state of reform in regional development policy in particular countries of the SEE region and expert knowledge about policy options that have been or should be considered and implemented in different national contexts.

### 5. "Financing Public Education in Southeast Europe" *(to be published in 2007)*

This publication has been written as a proceeding of the Financing Public Education in Southeast Europe Policy Forum organized by FDI CEE (Sofia, March 21–22, 2005). The authors analyze the system of financing education in Albania, Bosnia, Bulgaria, Croatia, Macedonia, Moldova, and Romania. The volume focuses specifically on primary and secondary education. The following areas were analyzed: structure of schools; distribution of administrative and financial powers between central and local authorities; assessment of the performance of the education system of financing public education.

### 6. "Delegated and Own Local Self-Government Functions" *(to be published in 2007)*

This volume will be published as a proceeding of the FDI Policy Forum "Delegated and Own Local Self-government Functions in the Republic of Kyrgyzstan—Legal, Administrative, and Fiscal Aspects and Impact on Intergovernmental Transfers" (Bishkek, Kyrgyzstan, June 2006).

Local and foreign experts have contributed their findings and recommendations, and working models in the area of local government, public finance and intergovernmental relations.

### Impact

All of the above publications were distributed to the FDI partners and participants of the relevant forums electronically and also disseminated at the OSI/LGI website. The documents were also available through LOGIN website. Publications summarized the knowledge of the forums and provided a comparative review and analysis in a number of countries. They also summarized recommendations of the forums and finally provided some follow-up ideas where FDI could move on. Publishing the materials made it possible to reach out a wider audience for information dissemination and through that to complement its policy work in the three regions.

The FDI publications were posted on the web on October 24, 2006 and the following number of hits was registered by FDI:

- ? Reforming Property Taxation in SEE— 236
- ? Fiscal Equalization in the Caucasus— 207
- ? Fiscal Equalization in Southeast Europe - 565
- ? Challenges of Regional Development in Southeast Europe/Strategies for Financing and Service Delivery/ - 94 (This publication was posted only two weeks ago)
- ? Two more publications are due to be posted on this site

Apparently, there is a great interest on the topic of equalization in SEE – this remains a key problem in the region as LG local functions and revenue capacities remain limited.

## B. LOGIN

### a) Support of LOGIN Regional Office

#### New countries in LOGIN

As set in the work plan, five new partners entered the LOGIN network, and grants were provided for another four anchors already in the LOGIN network under the joint OSI–USAID Agreement of Cooperation. With this extension the LOGIN network consists of 14 partner organizations in 13 countries at the end of 2006.

LOGIN's new partners are:

- ? Community Finance Officers' Association in **Armenia** (joined in September 2005)
- ? Association of cities of **Kyrgyz Republic** (joined in December 2005)
- ? Association of **Kosovo** Municipalities (joined in June 2006)
- ? Federation of Local Authorities in **Romania** (joined in August 2004)
- ? Standing Conference of Towns and Municipalities in **Serbia** (joined in December 2004)

The former partners financially supported in the frame of the Agreement were:

- ? Foundation for Local Government Reform in **Bulgaria**
- ? Association of the Units of Local Self-government of the **Republic of Macedonia**
- ? Institute for Urban Economics in **Russia**
- ? Association of Ukrainian Cities in **Ukraine**

The LOGIN network was also co-funded by UNDP. The organization provided support for the new Kyrgyz and Kosovo partners and financed the first two project years in Macedonia.

All LOGIN partners from the Central European region became self-sustainable during the period of the Agreement. LOGIN signed an Agreement of Cooperation for LOGIN National Contact Organization with its Latvian, Lithuanian, Polish, and Hungarian partners. The agreement lays out the rights and responsibilities of LOGIN and its national partner in the phase of cooperation when there is no financial support coming from LOGIN.

#### Content development and monitoring

As of December 31, 2006 the LOGIN online library has 9,745 full text downloadable

documents in 33 topic categories available at no cost to users—compared to the 4,900 documents in August 2003. This means an increase of 200 percent during the course of the last 38 months, and surpasses the objective to exceed 8,500 as the number of LOGIN online Library entries. Based on their needs assessment national partner organizations were continuously adding documents to this library. In order to avoid unregulated expansion of the database (which might result in the inclusion of below-standard materials), the LOGIN Regional Office initiated the quality control of its library content, in the frame of which, three national partners were already evaluated in 2004.

### **Marketing and feedback on use**

#### *Corporate Partnership Program*

The LOGIN Corporate Partnership Program brochure was finalized and printed in 1,500 copies in October 2004 and published on the English language LOGIN website. The Romanian and Bulgarian partners translated it into their local languages and used it as a fundraising/marketing tool within the country.

To promote the program in the corporate community the LOGIN Regional Office set up meetings with:

- ? the Executive Director of the American Chamber of Commerce in Budapest
- ? the Associate Director, Business Development Rating Services CEE for Standard and Poor's contacted Price Waterhouse Coopers in Belgrade
- ? a London-based consulting firm Good Business specialized in structuring corporate community investment programs for multinational corporations
- ? the Vice Chairman for Europe, Middle East, and Africa and the Director of Public Sector/Cross Border Finance of Merrill Lynch International

The Regional Office also visited various events with potential sponsor participation to present the program, including:

- ? First Congress on Financing Infrastructure, Municipalities and sub-National Governments in Central, Eastern and South Eastern European Countries, Vienna in February 2004
- ? Budapest Municipal Infrastructure Finance Congress in February 2005
- ? European Municipal Finance: Funding Our Future—The Twelfth Local and Regional Government Financing Conference in Munich in May 2005

Besides face-to-face meetings, LOGIN developed a direct mail package for potential corporate sponsors. The package contained a cover letter, the Corporate Partnership Brochure, a sample list of events and publications available for sponsorship in all LOGIN countries and the LOGIN introductory brochure with the necessary updates. The direct mail package was sent to 25 potential sponsors working in the banking, consulting, utilities and IT sectors at the end of March 2006.

Although, no sponsoring agreements resulted in these activities until the end of 2006, LOGIN took various other steps to assure the financial resources for the program. OSI agreed to continue to support LOGIN partners and assented to provide funds for the LOGIN Regional Office. UNDP is co-financing network by giving grants for two LOGIN partners, while four of the LOGIN partners are self-sustainable. Parallel to this, the funding for partners will be decreased each year to encourage them to move towards future sustainability.

### *Marketing*

Although the Regional Office's marketing activities were focused on the Corporate Partnership Program, the LOGIN network in general was also promoted at various international conferences. These included, among others, UNDP/LGI/WBi/CoE on Fiscal Decentralization Conference in September 2004, FDI forum in October 2004, LOGON Meeting in January 2005, and LGI Jamboree in June 2005.

LOGIN partners also implemented various marketing activities including the use of online tools such as newsletters, banners and link exchanges as well as the use of traditional methods such as road shows, conferences, printed publications, and media relations development.

### *Traffic statistics*

The objective for the 2003–2005 period was to increase the number of visits by at least 60 percent. To monitor the usage of the system and specifically the impact of marketing, LOGIN installed traffic monitoring software on October 24, 2002. At the beginning of the Agreement, LOGIN network had 173,000 visits and 52,000 unique visitors in the previous 12 months. At the end of April 2005, the system registered 333,000 visits and 169,000 unique visitors in the previous 12 months. This means that the number of visits increased by 90 percent while the number of unique visitors tripled.

Due to the change in the software hosting LOGIN could not get Webtrends statistics for the rest of the Agreement period. Both new traffic measurement systems LOGIN used during the rest of the time, were of a different configuration, therefore not comparable with the

previous system. However, both the new measurement systems show that the number of visits and unique visitors are continuously growing. Another good indicator to show the interest of the audience is the number of downloaded documents. By October 31, 2003, the system registered 64,316 downloads, while this number increased to 188,054 by the end of the Agreement, which indicates an average 4,000 downloads per month.

**b) *Hosting of LOGIN Site and Development of Software***

The tendering process, initiated at the end of May 2005, to find a new contractor for the LOGIN website maintenance and hosting resulted in the selection of Carnation, ([www.carnation.hu](http://www.carnation.hu)) a Hungarian company in early July. The contract with Carnation was signed in July, and work on the transfer process started between Carnation and Codespring. Between August and October, the required software and hardware were purchased. Codespring sent the Source Code and the entire LOGIN Database to us along with the documentation for setting up the system at the new hosting location. The new hosting environment was set up and tested. The final handover of the LOGIN software took place in December 2005. After the transfer from ICMA to a new contractor responsible for LOGIN website maintenance and hosting, LOGIN started to work on the list of problems and requests related to the software gathered by the LOGIN partner organizations at the LOGIN training in May 2005.

The new contractor also for technical support installed a visitors' statistics tool for the LOGIN portion of the partners' site and the English language site [www.logincee.org](http://www.logincee.org). The Regional Office tested the system (Webalizer), but the results were unsatisfactory in detail and incongruent with data supplied by the previous technical assistance provider CodeSping. Working with Carnation the Regional Office selected a more appropriate traffic measuring system for the network, Google analyzer. Google provides more convenient and detailed data on visitors with a possibility of generating data for user-specified time periods. The Regional Office decided to use this system from October 30, 2006. Data prior to this date will continue to be available in the Webalizer system.

## C. Networking

### a) Networking of LOGIN Anchors and LOGIN Marketing

As set by the work plan, LOGIN organized two training courses for its partners in the frame of the Agreement.

LOGIN held its Sixth National Partner Training in on May 31–June 1, 2005, with the participation of 21 representatives from ten national partner organizations and the Regional Office in Budapest. The training's main objective was to discuss future cooperation, software development, fund raising, and content quality control in the network. LOGIN members exchanged their experiences in content development, connection building with content providers, involving and motivating external content providers, user feedback, integration of LOGIN into the organization of the national partner and LOGIN service promotion. Financial prospects for the forthcoming years were also examined, including the examples of self-sustainability in the LOGIN network and the opportunities in the Corporate Partnership Program.

The Seventh LOGIN Training was held in Ohrid, Macedonia on June 23–24, 2006. From most of the LOGIN member organizations two persons participated at the event, including new member organizations from Armenia, Kosovo, and Kyrgyzstan. The program of the training included a discussion on the Distance Learning module, future financing prospects, software development, publication of an updated LOGIN brochure, and possible cooperation among LOGIN national partners in non-LOGIN financed projects.

### b.) International Conferences

#### Planned activities

FDI planned to organize international conferences by focusing on the three target regions. The conferences were to provide a framework for other specific FDI activities by launching programs and summarizing the results of other projects. The international conference should fit into the process of policy development. It highlighted the policy issues for starting the reform, or the conference might contribute to develop a consensus on a specific topic or it concludes on the results of policy research projects supporting the legislation.

The professional issues of the conferences were high priority, broad topics raised by the FDI partners in the target regions. Depending on the country needs from the three regions the conferences covered the following topics:

- ? assignment of public functions among various tiers of government; principles and methods of allocating competencies and services between national, regional and local governments; regulatory, control and audit mechanisms required for successful fiscal decentralization;
- ? decentralization of revenues by developing local own source revenue raising capacity at various types of local governments (municipality, city, region); the rules of revenue sharing between national and local budgets; methods and techniques of transfers for equalization purposes;
- ? fiscal and management aspects of public sector reform, focusing on major local services (e.g., public education, utilities, social services).

### Implemented activities

#### **1. International Conference in South Eastern Europe**

OSI/LGI organized, in cooperation with the USAID-financed Local Government Initiative Bulgaria, a **regional conference on public education financing** in Sofia (Bulgaria) on March 21-22, 2005 for 68 participants—representatives of local governments, Ministries of Finance and local experts—from Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Moldova, Montenegro, and Romania. The forum assessed strengths and weaknesses of existing education financing systems in the eight countries and discussed options for reform of the financing primary and secondary education. In order to stimulate discussion, LGI commissioned background studies from all eight countries. Selected experts delivered presentations dealing with their country experience in the area of financing public education. The forum covered issues of the overview of the structure of education financing, division of responsibility between sub-national and national administration, the role and method of state funding, nature of local government revenues, distribution of funds to schools, role of school revenue, effectiveness–equity–efficiency assessment of the existing framework for educational financing.

#### **2. International Conference in the Caucasus**

LGI entered into partnership with UNDP and WBi and designed and implemented a **regional conference on fiscal equalization** for 52 participants from the countries of Armenia, Azerbaijan, and Georgia (plus Kyrgyzstan). The conference took place in Bodrum (Turkey) on June 16-18, 2005. The forum assessed strengths and weaknesses of existing equalization systems in the four countries and discussed options for reform of financing local government services. In order to stimulate discussion, OSI/LGI commissioned background studies from

three countries of the Caucasus. Select experts delivered presentations dealing with their country experience in the area of fiscal equalization. The forum was targeted primarily at representatives of national ministries of finance, local government representatives, and other relevant stakeholders. The forum covered issues of vertical and horizontal equalization, looking at issues such as composition of local government revenues, methods for calculation of equalization transfers (per capita versus needs based calculation), equalization formulas, participation of local governments in determination of equalization transfers, and legal framework for equalization.

### **3. International Conference in Central Asia**

OSI/LGI intended to deliver one international conference in Central Asia. However, due to the fact that the economic and political situation of the three countries differs significantly, FDI could not find opportunities to deliver the Central Asian regional conference.

Kazakhstan being the most centralized country in the region offers very little basis to do work in fiscal decentralization thus it has the most rapid economic development thanks to the oil extraction business. Kyrgyzstan is the most receptive country on the issue of decentralization, however, the current political situation is very unstable and therefore there is little space to build on local government reforms. Tajikistan is the poorest and maybe the most closed country for reform work at the local level.

#### Impact

##### **1. International Conference in South Eastern Europe**

The forum was a success and following the event OSI/LGI was approached by the Open Society Institute Bulgaria on the request of the Ministry of Education and Sciences of Bulgaria to conduct a technical assistance program to reform the remuneration system of the public education teachers. Please see more detail on the technical assistance program at the relevant section above.

##### **2. International Conference in Caucasus**

The forum was successful and has made an impact. Based on the previous request of the Ministry of Territorial Administration, the Armenian participants confirmed the need to conduct a technical assistance program in Armenia on designing fiscal equalization models. Please see more detail on the technical assistance program at the relevant section above.

## **III. APPENDICES**

## Appendix III.1 Istanbul Agenda

### FISCAL DECENTRALIZATION DONORS' AND LOCAL STAKEHOLDERS' COORDINATION WORKSHOP

NOVEMBER 29 – 30, 2006

*Lares park Hotel, Istanbul*

#### PROGRAM

##### November 28, 2006

Arrival of participants - transfers from the airport to the hotel.

7:30 pm - Dinner at the hotel (for those arriving before 9.30 pm)

##### November 29, 2006

8:30 AM-Registration

8:45 –9:30 Welcome and Opening remarks

Moderator: *Irina Faion* – FDI Program Manager, (OSI/LGI)

*Mr. Ken Davey* - Chair of the Board, Local Government and Public Service Reform Initiative of the Open Society Institute Budapest (OSI/LGI)

*Mr. Adrian Ionescu* – Program Director, Local Government and Public Service Reform Initiative of the Open Society Institute Budapest (OSI/LGI)

*Mr. Migara de Silva* – World Bank Institute (WBi), Washington DC

*Ms. Susan Kutor* – US Agency for International Development (USAID), Regional Support Center Budapest (RSC)

*Mr. Alfonso Zardi*, Head, Local Government and Transfrontier Co-operation Dept, CoE

*Mrs. Jurgita Siugzdiniene*, Policy Advisor, UNDP, Bratislava Regional Centre

#### ANALYSIS OF THE FISCAL DECENTRALIZATION ENVIRONMENT AND THE FISCAL DECENTRALIZATION INITIATIVE IMPACT IN SOUTHEAST EUROPE, CENTRAL ASIA AND THE CAUCASUS

9:30 – 10:00 *Mr. Ondrej Simek, Ms. Irina Faion* – FDI work in the 3 regions 2003-2006

10:00 – 10:15 *Mr. Kristof Zoltan Varga* – Presentation of the FDI LOGIN Project

10:15 – 10:30 *Coffee break*

**ANALYSIS OF DECENTRALIZATION ENVIRONMENT AND FDI IMPACT BY REGION**

**SOUTHEAST EUROPE**

10:30 – 11:00 *Mr. Tony Levitas (DAI Macedonia) and Mr. Gabor Peteri (LGID) – regional overviews*

11:00 – 11:50 *Presentations of specific projects from local partners in SEE (10 minutes each):*

*Boyan Zahariev, OSI, Bulgaria*

*Dejan Pavlovic, PALGO, Serbia*

*Marko Paunovic, Center for Liberal Democratic Studies, Serbia*

*Adis Arapovic, Center for Civic Initiatives, BiH*

*Rodica Mocanu, SF/Moldova*

**CENTRAL ASIA**

11:50 – 12:10 *Mr. Glendal Wright (LGI/FDI Consultant) - regional overview*

12:10 – 12:30 *Presentations of specific projects from local partners in CA*

*Galina Kurlyandskaya – Center for Fiscal Policies, Russia. Presentation of FDI work in Kyrgyzstan, Moldova, Armenia and Tajikistan*

**THE CAUCASUS**

12:30 – 12:50 *Ms. Vera Kamenickova (Statistical Office, the Czech Republic) – regional overview*

12:50 – 13:10 *Presentations of specific projects from local partners from the Caucasus*

*David Tumanyan, Community Finance Officers Associations, Armenia*

*David Losaberidze, Caucasus Institute for Peace, Democracy and Development, Georgia*

13:10 – 14:30 *Lunch (discussion of presentations over lunch)*

**FUTURE FISCAL DECENTRALIZATION ACTIVITIES AND DONOR COORDINATION – PLANNING SESSION**

**Moderator:** *Irina Faion*

**14:30 – 14:50 LGI/FDI PRESENTATION OF FISCAL DECENTRALIZATION PLANS FOR ACTIVITIES AND FUNDING IN 2007**

Mr. Ken Davey, Mr. Adrian Ionescu

14:50 - 15:00 *Migara de Silva* – World Bank Institute, Presentation of WB Training Program for CA

15: 00 - 15:10 *Mrs. Jurgita Siugzdiniene*, Policy Advisor, UNDP, Bratislava Regional Centre

15: 10 – 15:20 *Alfonso Zardi*, Head, Local Government and Transfrontier Co-operation Dept, CoE,

Presentation of CoE work in SEE

15:20 – 15:30 *Jeff Lovitt*, Executive Director, PASOS, Presentation of the Policy Centers Association for

Open Society, PASOS

*Participants break into working groups by region (Southeast Europe, Caucasus, and Central Asia) and discuss their priorities for work in their respective regions. The purpose is to find common topics of interest and to discuss future cooperation. Each group will present their proposed topics at the plenary session on the 30<sup>th</sup>.*

*Coffee will be served at 4:30*

**15:30 – 17:45 SOUTHEAST EUROPE, SEE – MODERATED BY TONY LEVITAS AND GABOR PETERI**

Donors' and partners' discussions of their priority work in SEE

- ? *Bruce Kay – USAID/Albania*
- ? *Kiril Kiriakov - USAID/Bulgaria*
- ? *Art Flanagan - USAID/Serbia*
- ? *Besa Ilazi - USAID/Kosovo*
- ? *Pawel Swianiewicz – LGI Board Member*
- ? *Romain Darbelley, Kristina Kolozova - Swiss Embassy/Macedonia*
- ? *Zage Filipovski and Alenka Verbole, Vukica Saveska - OSCE/Macedonia and Min. of Finance/Macedonia*
- ? *Andrada Berezintu - Ministry of Foreign Affairs, Dev. Agency, Romania*

Mapping of topics and key areas.

**15:30 – 17:45 CENTRAL ASIA, CA – Moderated by Glendal Wright**

Donors' and partners' discussions of their priority work in CA

- ? *Essen Turusbekov – DFID/KG*
- ? *Ronald Young – EU LG Project/KG*
- ? *Zuhra Halimova, Manucher Zaidov – OSF/TJ*
- ? *Freddie Carver – Assistant Governance Adviser, DFID/CA, Caucasus and Moldova*
- ? *Musa Kulaklikaya – TICA/Turkey*
- ? *Stanislaw Alwasiak – Polish Assistance to CA*

Mapping of topics and key areas.

**15:30 – 17:45 THE CAUCASUS – Moderated by Vera Kamenickova**

Donors' and partners' discussions of their priority work in the Caucasus

- ? *Freddie Carver – DFID/CA, Caucasus and Moldva*
- ? *Vladimir Gorgadze – USAID/Georgia*
- ? *Narine Sahakyan – UNDP/Armenia*
- ? *Juliet Stein – Eurasia Foundation/Armenia*
- ? *Giorgi Vashakidza – Eurasia Foundation/Georgia*

Mapping of topics and key areas.

**17:45 – 18:15 Discussion and closing of day 1****19:30 Dinner**

We invite all participants on a boat tour and dinner. We kindly ask you to meet for the bus departure and the tour at 7.00 pm in the lobby of the hotel.

November 30, 2006

**FUTURE FISCAL DECENTRALIZATION ACTIVITIES AND DONOR COORDINATION –CONTINUED - PRESENTATIONS ON COUNTRIES WHERE FDI WAS NOT PRESENT SO FAR**

**Moderator: Migara de Silva**

9:00 – 9:15 *Maria Amelina* – WB/Washington DC, WB Activities on Decentralization and Rural Development in Russia

9:15 – 9:30 *Musa Kulaklikay*—Turkish Development Agency, TICA, The Agency's Work in SEE, CA and the Caucasus

9:30 – 9:45 *Emin Dedeuglu*, - The Economic Policy Research Institute / Turkey (EPRI) – WB and EPRI local government projects in Turkey

9:45 – 10:00 *Oksana Remiga* – UNDP/Ukraine, UNDP Local Government Work in Ukraine

**10:00 – 10:20 DISCUSSION**

**10:20 – 10:40 Coffee Break**

**10:40 – 11:00 PLENARY SESSION**

Presentation of FDI priority topics by regional coordinators – SEE (Tony Levitas, Gabor Peteri)

**11:00 – 11:20 DISCUSSION**

**11:20 – 11:40 PLENARY SESSION**

Presentation of FDI priority topics by regional coordinators – Central Asia (Glendal Wright)

**11:40 – 12:00 DISCUSSION**

**12:00 – 12:20 PLENARY SESSION**

Presentation of FDI priority topics by regional coordinators – Caucasus (Vera Kamenickova)

**12:20 – 12:40 DISCUSSION**

**12:40 – 13:00 CLOSING AND FINAL REMARKS**

13:00 – 14:30 *Lunch at the hotel*

7:30 *Dinner – meeting point at the lobby of the hotel*

*November 30, December 1,2 – Departures*

## Appendix III.2 ISTANBUL CASE STUDY INSTRUCTIONS

### TOPICS FOR CASE PRESENTATIONS

The proposed questionnaire is distributed to FDI local partners carrying out the technical assistance projects. For your convenience we have included a matrix of FDI events with basic information on these, which you may use as a reference material. Please be as specific and as critical as possible. Please provide no more than a 10-page narrative on your case based on your major achievements and difficulties and base your PP presentation on the narrative. We would like to kindly ask you to present the impact of your work in a creative fashion and to mention the oftentimes non-visible impact.

Please note that the questionnaire addresses your past experience and assessment, but we also kindly ask to provide your ideas on future developments – ideas, projects and follow-up work. Please return the filled in questionnaires to Irina Faion at ifaion@osieurope.org and Timea Toth at ttoth@osi.hu no later than October 30, 2006.

You will also be asked to take part in the planning sessions by region and discuss your views and ideas on future projects in your respective regions and countries.

1. PLEASE BRIEFLY DESCRIBE THE FRAMEWORK OF THE PROGRAM YOU WERE WORKING ON (FORUM, TRAINING, TECHNICAL ASSISTANCE)— MENTION TOPICS, TIMING, BENEFICIARIES, SPECIFIC ACTIVITIES
2. WHAT PART OF FDI ASSISTANCE WAS MOST USEFUL TO YOU AND HOW COULD YOU EXPLAIN THAT – IN TERMS OF PROGRAMMATIC SUPPORT, IN TERMS OF FUNDING, COOPERATION WITH LOCAL STAKEHOLDERS, BENEFITING FROM FOREIGN EXPERTS OR OTHERS
3. WHAT IN YOUR OPINION WAS THE ACHIEVEMENT OF THE PROGRAM THAT HAD THE MOST IMPACT; PLEASE MENTION SPECIFIC FACTS, DATA, AND BENEFICIARIES
4. IN YOUR OPINION, WAS THERE ANY FAILURE OR UNACHIEVED GOAL AND HOW WOULD YOU EXPLAIN THIS; WHAT WOULD YOU RECOMMEND SO THAT SUCH ISSUES BE AVOIDED IN THE FUTURE
5. PLEASE DESCRIBE ANY TYPE OF JOINT WORK BETWEEN YOU AND DONORS AND GOVERNMENT LEVEL OFFICIALS – HOW DID FDI ACTIVITIES CONTRIBUTE TO THE COOPERATION AND WHAT WAS THE LEVEL OF COOPERATION
6. PLEASE DESCRIBE ANY ADDITIONAL ACTIVITIES, EVENTS, SIDE ACTIONS AND FOLLOW-UP THAT MAY HAVE COME OUT AS A RESULT OF THE IMPLEMENTED PROJECT (For example- study visits, additional programs developed, cooperation improved, etc.)
7. BASED ON YOUR EXPERIENCE, COULD YOU RECOMMEND HOW FDI COULD CONTINUE ITS ACTIVITIES IN YOUR COUNTRY? PLEASE BE AS SPECIFIC AS POSSIBLE – MENTION TOPICS, BENEFICIARIES AND TIMING.

## Appendix III.3 ISTANBUL ROUND TABLE QUESTIONS

### FISCAL DECENTRALIZATION DONORS' AND LOCAL STAKEHOLDERS' COORDINATION WORKSHOP

NOVEMBER 29 – 30, 2006  
LARES PARK HOTEL, ISTANBUL

*Dear participants,*

*We would like to bring to your attention four basic questions which would help us better steer the roundtable discussions and conceptualize cooperation in the next stage of FDI development. We will summarize and present participants' answers to these questions at the meeting.*

1. What in your opinion could be the **decentralization topics** you may be interested in developing within the FDI framework?

2. How would you define the role of FDI as a **regional promoter and supporter** of decentralization efforts vis-à-vis your country-specific activities?

3. What kind of **input** do you think you may offer in the framework of FDI in terms of **activities**? Could you describe your potential input – if any, in terms of operational working arrangements?

4. What kind of **assistance** would you welcome from FDI in terms of content and other resources to support your country-specific decentralization activities?

*Thank you for your support and cooperation.*

*Irina Faion, Kristof Varga*

*Open Society Institute*

*Local Government and Public Service Reform Initiative*

## Appendix III.4 ISTANBUL ASSESSMENT

### QUESTIONNAIRE FOR POST-EVENT ASSESSMENT OF FISCAL DECENTRALIZATION INITIATIVE FORUMS AND TRAININGS

#### BACKGROUND

The Fiscal Decentralization Initiative (FDI) Secretariat based at the Local Government and Public Service Reform Initiative (LGI) at the Open Society Institute (OSI/Budapest) is pleased to announce its upcoming **FISCAL DECENTRALIZATION DONORS' AND LOCAL STAKEHOLDERS' COORDINATION WORKSHOP** to be held in **ISTANBUL ON NOV. 29-30, 2006**, to assess past impact and plan future actions in the area of decentralization.

The objective of the workshop is to present the recent changes in the fiscal decentralization environment in Southeast Europe, the Caucasus and Central Asia, to explore current issues in fiscal decentralization in these regions, and to plan and coordinate with other donors and stakeholders future programs in fiscal decentralization.

FDI is a collaborative regional demand-driven undertaking involving a consortium of donors (WB, OECD, UNDP, USAID, OSI/LGI, and CoE) initiated in 1995, to advance decentralization in transition countries. FDI supports debate and consensus-building among central and local governments, facilitates regional transfer of experience, and exchange of best practices, and provides opportunities for local government reform advocacy. In the period 2003-2006, LGI/OSI and the USAID Regional Offices in Budapest joined their funding (for a total of 2.4 mln USD for the 3 years) to directly address the needs in fiscal decentralization in more than 15 countries of Southeast Europe (SEE), Central Asia (CA) and the Caucasus, reaching out to approximately 150 institutions.

LGI sees the comparative FDI advantages as follows: 1) exchange of information between the countries of transition, whereby experts coming from CEE and the Baltics contribute expertise to the countries of CA, SEE and the Caucasus. We strongly believe that this practice has been relevant and valuable due to the proximity of experience in all transition countries; 2) our regional approach facilitated drawing of comparisons and analyses within regions and between regions, which has given a start to creative ideas for projects, study tours and intense cross-regional cooperation; 3) the tremendous potential of information gathering and exchange through the 14-country regional network of LOGIN, which is functioning in 13 languages has been fully utilized. A side effect of the program has been the improved coordination between donors in the area of decentralization and a more intensive input into the governmental work of the CoE and the Stability Pact.

The FDI evaluation and planning workshop has the following objectives:

- E. To present the current environment of fiscal decentralization, including the impact of FDI activities (policy forums, trainings and technical assistance) to USAID and other FDI partners. Impact will be assessed by means of evaluation forms distributed earlier, regional reports and case stories presenting technical assistance impact by country
- F. To look for synergies of programs between FDI and USAID in different countries
- G. To solicit new ideas for programs and possible joint funding from the traditional FDI partners – the WBi, UNDP, OECD and the CoE
- H. To solicit new ideas for cooperation between the new to FDI traditional donors and new donors from CEE, the Baltics and Romania.

We would like to ask for your kind contribution to the impact assessment based on your participation in FDI events (Forums and trainings) by responding to the questionnaire below. Your evaluations will help us design the FDI activities for 2007 and therefore they will be an important part of our planning event.

### QUESTIONNAIRE FOR FDI PARTICIPANTS IN FORUMS AND TRAININGS

The proposed questionnaire is distributed to FDI local partners and beneficiaries that took part in FDI forums and trainings. For your convenience we have included a matrix of FDI events with basic information on these which you may use as a reference material. Please be as specific and as critical as possible. Please provide no more than a 2-page response sheet to the questions below. Please note that the questionnaire addresses your past experience and assessment, but we also kindly ask to provide your ideas on future developments – ideas, projects and follow-up work. Please return the filled in questionnaires to Karen Madoian at kmadoian@osi.hu and Timea Toth at ttoth@osi.hu no later than October 15, 2006.

8. AS A PARTICIPANT IN AN FDI FORUM/TRAINING WOULD YOU THINK THAT: 1) YOUR LEVEL OF UNDERSTANDING OF THE TOPICS OF THE FORUM HAS IMPROVED; 2) THAT YOU HAVE GAINED NEW EXPERIENCE AND IDEAS APPLICABLE TO YOUR WORK BASED ON EXCHANGES AT THE FORUM; 3) THAT YOU HAVE APPLIED SOME OF THE NEWLY GAINED IDEAS IN YOUR WORK; 4) THAT THE FORUM WAS A STARTING POINT FOR NEW REFORMS OR AT LEAST SOME CHANGE; 5) THAT GOVERNMENT MADE USE OF ANY OF THE RECOMMENDATIONS MADE AT THE FORUM.
9. PLEASE DESCRIBE WHAT IN YOUR OPINION WAS THE MOST USEFUL PART OF THE PROGRAM IN TERMS OF: 1) APPLICABILITY IN YOUR WORK; 2) APPLICABILITY FOR YOUR INSTITUTION AND 3) APPLICABILITY FOR YOUR COUNTRY
10. PLEASE DESCRIBE WHAT IN YOUR OPINION WAS THE VALUE ADDED OF THE FDI PROGRAM – THAT IS, HOW THE FDI PROGRAM WAS DIFFERENT, COMPLIMENTARY AND UNIQUE AND IN WHAT WAYS
11. COULD YOU DESCRIBE TO WHAT EXTENT THE INTERNATIONAL COMPARATIVE PERSPECTIVE BROUGHT TO YOU WAS BENEFICIAL TO YOU AND IN WHAT WAYS
12. IN YOUR OPINION, WAS THERE ANY FAILURE OR UNACHIEVED GOAL AND HOW WOULD YOU EXPLAIN THIS; WHAT WOULD YOU RECOMMEND SO THAT SUCH ISSUES BE AVOIDED IN THE FUTURE
13. PLEASE DESCRIBE ANY TYPE OF JOINT WORK BETWEEN YOU AND DONORS AND GOVERNMENT LEVEL OFFICIALS – HOW DID FDI ACTIVITIES CONTRIBUTE TO THE COOPERATION AND WHAT WAS THE LEVEL OF COOPERATION
14. PLEASE SHARE WITH US WHETHER YOU HAVE EXCHANGED IDEAS AND INFORMATION WITH INTERNATIONAL PARTICIPANTS AFTER THE FORUMS – IF YES, HAS THIS RESULTED IN ANY KIND OF SPECIFIC PROJECTS OR HAS THIS STRENGTHENED YOUR EXPERTISE IN ANY WAY.
15. BASED ON YOUR EXPERIENCE, COULD YOU RECOMMEND HOW FDI COULD CONTINUE ITS ACTIVITIES IN YOUR COUNTRY – PLEASE PROVIDE SPECIFIC PROJECT IDEAS, BENEFICIARIES AND A JUSTIFICATION FOR YOUR IDEA.

## Appendix III.5

### INTERGOVERNMENTAL FISCAL RELATIONS

### SUMMER UNIVERSITY EVALUATIONS 2004–2006

#### 1. Tutor Appraisal

Number of Course evaluation forms processed for SUN 2006: 1826  
 Number of Tutor evaluation forms processed for the "Intergovernmental Fiscal Relations" course: 199

##### Categories Evaluated??

SUBJECT	Demonstrates that s/he knows the subject s/he teaches?
ENGLISH?	Has a good command of English?
PREPAR??	Is prepared for her/his classes?
INSPIRAT?	Was inspiring for my research and/or professional work?
OUT	Was available for consultations outside of class
SLOW? ?	Teaches at a pace that is appropriate for me?
DISCUS??	Encourages discussion and class participation?
INTEREST?	Presents subject matter in ways that is interesting to me?
ATMOS? ?	Creates an atmosphere, which is good for my learning?
CONSID	Takes students' wants and needs into consideration
?	

##### Grading:

The above categories were rated on a scale of 4 (fully agree) to 1 (strongly disagree):

fully agree	mostly agree	mostly disagree	strongly disagree
4	3	2	1

##### General Statistics by all categories: Intergovernmental Fiscal Relations 2006 vs. SUN 2003, 2004, 2005 and 2006

	SUN 2003	SUN 2004	SUN 2005	SUN 2006	Intergovernmental 2006
SUBJECT	3.77	3.76	3.75	3.72	3.72
ENGLISH	3.71	3.73	3.77	3.83	3.82
PREPAR	3.74	3.73	3.73	3.72	3.80
INSPIRAT	3.44	3.36	3.33	3.30	3.28
OUT				3.47	3.19
SLOW	3.57	3.52	3.52	3.52	3.64
DISCUS	3.50	3.46	3.46	3.54	3.50
INTEREST	3.44	3.41	3.40	3.43	3.50
ATMOS	3.55	3.53	3.50	3.54	3.54
CONSID	3.54	3.49	3.50	3.55	3.55

**Resource Persons by all categories**

	Davey	Hegedus	Ionescu	Levtas	Tonko	Cooley	Varga	Kovacs	Total
SUBJECT	3.84	3.76	3.92	3.96	3.72	3.40	3.75	3.44	3.72
ENGLISH	3.88	3.60	3.96	4.00	3.84	3.92	3.71	3.71	3.83
PREPAR	3.68	3.88	4.00	4.00	3.92	3.60	3.83	3.52	3.80
INSPIR	2.92	3.56	3.63	3.96	3.36	3.24	3.17	2.40	3.28
OUT	3.05	3.80	3.67	2.95	3.52	2.67	2.50	2.75	3.19
SLOW	3.18	3.77	4.00	3.95	3.77	3.50	3.71	3.23	3.64
DISCUS	2.64	3.86	3.91	3.77	3.43	3.50	3.24	3.62	3.50
INTERES	3.14	3.82	3.91	3.86	3.59	3.27	3.48	2.90	3.50
ATMOS	2.96	3.84	3.92	3.88	3.75	3.42	3.59	2.92	3.54
CONSID	3.04	3.80	3.88	3.83	3.70	3.52	3.43	3.13	3.55
OVER	3.20	3.84	3.92	3.84	3.64	3.28	3.43	2.84	3.50



**2. Overall Course Evaluation by participants**

Number of questionnaires processed for SUN 2006: 252

Number of questionnaires processed for Intergovernmental Fiscal Relations: 40

**Pre-course information:**

Do you feel that you had sufficient information about the aims and content of the course?

Yes Intergovernmental	Yes SUN 2006
%	%
92.3	91.7

Did you find the pre-course information

	useless	useful but insufficient	sufficient and useful
	%	%	%
Intergovernmental	5.3	5.3	89.5
SUN 2006	5.2	15.9	78.9

**Length:**

Do you feel the length of the course was (%)

Intergovernmental	SUN 2006
-------------------	----------

Too short		15.0
About right	82.1	76.9
Too long	17.9	8.1

Do you feel the course was (%):

	Intergovernmental	SUN 2006
under-scheduled (not enough covered for the amount of time)	2.5	14.2
about right (allowed time for depth in topics covered)	65.0	65.6
over-scheduled (too much work/information)	32.5	20.2

Level:

Did you find the subject material to be at a level (%):

	Intergovernmental	SUN 2006
too basic for you		11.0
comfortable for you	70.0	57.0
too advanced for you	2.5	3.0
mixed	27.5	29.0

Did you find the course useful for your research? (%)

	yes
Intergovernmental	97.5
SUN 2006	92.0

Class Activity (%)

	Very useful	
	Intergovernmental	SUN 2006
Discussion	60.0	70.0
Small group work	50.0	49.7
Panel/round table discussion	35.0	26.7
Presentations	35.0	42.2
One-on-one consultations	45.0	28.7
Simulation games	12.5	11.6
Intensive reading seminar	27.5	19.5
Individual writing assignments	10.0	7.6

	not relevant for my work (%)		interesting but not closely connected with my work (%)		appropriate for my work (%)	
	Intergovern.	SUN 2006	Intergovern.	SUN 2006	Intergovern.	SUN 2006
The reading assignments were	2.6	2.5	39.5	30.8	57.9	66.7
The writing assignments were		4.1	32.4	22.8	67.6	73.1

**Feedback:**

The course contributed to the development of my work in progress in the following way:

	No feedback	Received some useful feedback	Benefited from consultations	Other
Intergovernmental	10.8	62.2	24.3	2.7
SUN 2006	22.9	53.3	15.0	8.9

**Library**

The library was... for your needs.

	Intergovernmental	SUN 2006
Less useful than you had expected	12.5	12.0
Adequate	22.5	17.5
Useful	32.5	29.5
Other	32.5	40.6

Overall Impression (graded on a scale from 1 to 4) in %

	1	2	3	4	Mean
Intergovernmental		5.0	30.0	65.0	3.60
SUN 2006	2	7.3	35.1	55.5	3.44

**Coordinator**

The coordinator was

	Helpful %
Intergovernmental	92.5
SUN 2006	89.6